



UNIVERSITY OF KWAZULU-NATAL

**Perceived barriers to long-term survival of Start-Up Small, Medium and Micro Enterprises
in the ICT Industry: A Case of Vhembe District Municipality**

By

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DECLARATION

I, Sikhumbuzo Lennin Dlamini, declare that

- i. the research reported in this thesis, except where otherwise indicated, is my original research;
- ii. this thesis has not been submitted for any degree or examination at any other university;
- iii. this thesis does not contain other persons' data, pictures, graphs or other information unless specifically acknowledged as being sourced from other persons;
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Signed

Date

20 January 2021

DEDICATION

This thesis is dedicated to my mother, Hilda Ginindza. Without her endless love and encouragement, I would never have been able to complete my studies. I love you "Ma," *ngiyabonga Ginindza lomphofunetinyawotakhe Ludvongalwa Mavuso*, and I appreciate everything that you have done for me. This thesis is also dedicated to my late sister Theresa "Biki" who gave me the foundation of my education. Ever since then, I have been able to appreciate the value of reading and lifelong learning. Nkosi Dlamini, you could not witness my success because death defeated you.

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ABSTRACT

Small, medium and micro enterprises (SMMEs) contribute immensely to the economic development and addressing socio-economic challenges facing South Africa (SA). This study identifies barriers affecting the long-term survival of ICT SMMEs in the Vhembe District Municipality. The research seeks to understand the nature of the problems that ICT SMMEs encounter in their bid to survive. Paramount among the objectives of this study was the need to establish whether the resources are available for supporting the ICT SMMEs in Vhembe District Municipality were sufficient. To achieve its aims, the study adopted qualitative methods to source primary data from respondents. The study adopted the thematic data analysis method of analysing qualitative data and made use of the NVIVO software package to do this. It is evident from the findings that the factors that affect SMMEs' long-term survival are not peculiar to ICT SMMEs Vhembe District Municipality. The issue of funding was notable and accredited to the discontinuation of financial support from the municipality. Included in the resource challenge was the lack of infrastructure, such as office space. It was apparent from the findings that ICT SMMEs owners had strong network links that they could rely on; however, due to a lack of trust they were uncomfortable with sharing information with other stakeholders. Though IT SMMEs had been accepted by the communities they worked in, the presence of crime affected them immensely.

Keywords: SMMEs, ICT, long-term survival, Vhembe District

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GLOSSARY OF ACRONYMS

SMMEs	: Small, medium, and micro enterprises (SMMEs)
SA	: South Africa (SA)
ICT	: Information communication technology
MVD	: Vhembe District Municipality
NVIVO	: Qualitative Data Analysis Computer Software Package
RDT	: Resource dependency theory
BEE	: Black Economic Empowerment
NPD	: National development plan
GEM	: Global Entrepreneurship Monitor
GDP	: Gross Domestic Product
CGCSA	: Consumer Goods Council of South Africa
NSB	: National Small Business
DTI	: Department of Trade and Industry
GDP	: Gross domestic product

CHAPTER 1: ORIENTATION OF THE STUDY

1.1 Introduction

Small, medium and micro enterprises (SMMEs) are major contributors to economic development and addressing socio-economic challenges facing South Africa (SA). This type of business is useful in developing countries as they create employment opportunities and stimulate the establishment of more SMMEs (Tlhomola, Rankhumise and van Niekerk, 2016). Lourens and Jonker (2012) view the SMMEs' contribution to the economy of South Africa as key, since it shares some of the burdens a country carries. Owing to the usefulness of SMMEs in this country, Barnard, Kalvet, and Tiits (2011) opines that SMMEs continues to encounter barriers endlessly, and consequently affect their business performance.

Even though the success of SMMEs is critical for the South African economy, their failure rate remains the most astounding in the world (Wolmarans and Meintjes, 2015). Providing the SMMEs with the support of any nature depending on their unique needs is paramount for them to survive the volatile business environment. Central to sustainable development is the promotion and support of small business (Malapane and Makhubele, 2013). SMMEs exist in numerous business sectors, and each sector has its developments (Moloi, 2013). This study focused on the ICT industry, which has also seized the opportunity of establishing small businesses.

The ICT SMMEs are not an exception to the general challenges faced by the SMMEs, which may be institutional and resourced based. This study intends to identify the barriers affecting the long-term survival of ICT SMMEs in the Vhembe District Municipality. Often the tight competition among businesses in the ICT environment dictates that SMMEs should establish a competitive edge. This is possible by knowing and understanding the nature of opportunities and challenges that exist in the ICT business environment. The success and development of the country's economy depend on sustainable ICT SMMEs to drive small business activities.

1.2 Background to the study

The value of the small businesses is acknowledged worldwide in strengthening the economy, regardless of the economy's progressive phase. The commitment towards development, work

creation, and social advancement is an essential source for a sustainable nation. Thus, small businesses can be viewed as a crucial component in a positive plan for attaining the country's economic growth (SEDA, 2016). The SMMEs, especially in the informal sector, have had a significant contribution towards creating employment opportunities (SEDA, 2016). The World Bank (2006) reported that an estimated 39% of employment opportunities in SA was from the SMMEs.

This suggests that SMMEs have been supporting the South African economic growth in terms of curbing the unemployment rate. Therefore, encouraging entrepreneurship among business enthusiasts should be prioritised for economic growth and the creation of more employment opportunities. The SMMEs remain an indispensable solution for improving the ways of life in societies and the strength of a nation. Soni, Cowden and Karodia (2015) further express that SMMEs assume an indispensable part in financial improvement by empowering individuals to meet their fundamental requirements for survival.

Owing to the political background of SA during the apartheid government, the new government post-1994 made its goals clear about helping the SMMEs to deal with the difficulties of employment creation, monetary development and value (White Paper on National Strategy for the Development and Promotion of Small Business in SA, 1995). Having recognised the contribution of the SMMEs in SA, in 2014, a Ministry to enable the promotion and establishment of small businesses were established (SEDA, 2016). This type of business sector is strategically used by the largest economies to drive global job creation. For example, in Japan, the United States of America and Germany, the small entities contribute more than half of their gross domestic product.

In the light where most of the production revolves around technology, investing in ICT SMMEs seems inevitable. The ICT sector is an undisputed primary driver for growth and innovation (Martinuzzi, Kudlak, Faber and Wiman, 2011). Consequently, ICT is getting a great deal of consideration because of its commitment to economic development in job creation, wealth creation, and youth empowerment around the world (Wangari, 2014:1). Martinuzzi *et al.*, (2011:13) further indicate that the ICT industry is shaped by fast innovation and production cycles and a worldwide mass market. As a result, the digital government such as e-government, e-learning, e-health, mobile money, and information dissemination which is a new model for service

delivery, has been introduced. ICT has made life more accessible for people to communicate in the country, and such evolutions, SMMEs are expected to seize the opportunity to keep up with the developments that are taking place within the ICT industry.

1.3 Problem statement

The role of SMMEs in South Africa has a positive impact on the lives of many impoverished communities. Marnewick (2014) emphasise the importance of SMMEs and the difference brought by them to the lives of township communities in SA. Irrespective of the gains brought by the SMMEs, there is, even more, evidence that the lifespan of SMMEs is often short (Mabhandu and Mercy, 2013). The ICT SMMEs suffered from the transformation overlook when the new democratic dispensation ensued. Consequently, ICT SMMEs' long-term survival in the business environment could be cumbersome. This study stands to provide answers on barriers that affect the long-term survival of SMMEs in the ICT industry, especially in the Vhembe District Municipality.

Research studies demonstrate that the SMMEs keep on facing various difficulties that influence their everyday operations which eventually prompt business failure (Barnard *et al.* 2011). This further impact on the long-term survival of the SMMEs and leave a bad reputation for SMMEs. A study carried by Neneh and Vanzyl (2012) showed that the long-term survival of SMMEs is paramount in the theory of sustaining entrepreneurs especially since it could contribute to permanent job creation which remains a critical issue in SA. Barnard *et al.* (2011) cite the following challenges for most SMMEs deficiency is managerial competence and aptitude, the absence of access to innovation, constrained access to back-up assets, poor area choices, high start-up costs, complex lawful and administrative prerequisites and low boundaries to entry.

The study by Neneh and Vanzyl (2012) links long-term survival of the SMMEs to the entrepreneurial mindset, in that they contend that all business people who have entrepreneurial competence have a high likelihood of accomplishing long-term SMMEs survival. The nature of the ICT industry is dynamic, and it evolves daily, and without the proper form of an entrepreneurial mindset among ICT SMMEs, business survival may not be sustainable. Wangari (2014) also suggests that because of globalisation, ICT SMMEs are likely to suffer from stiff competition, customer demand, and rapid advancement of technology and employee migration in the light of

organisational competition. The ICT SMMEs in South Africa could be suffering from the latter; however, empirical evidence through research is necessary.

1.4 Research Objective

The objectives of this study were to:

1. Establish the availability of resources in Vhembe District Municipality to support ICT SMMEs.
2. Establish the relationship between ICT SMMEs and ICT stakeholders in the Vhembe District Municipality.
3. Establish whether institutionalisation of ICT SMMEs from Vhembe District Municipality is appropriate.

1.5 Research Questions

1. What resources are available from Vhembe District Municipality to support ICT SMMEs?
2. What relationship does ICT SMMEs and ICT SMMEs have with ICT stakeholders in the Vhembe Municipality District?
3. How appropriate has institutionalisation of ICT SMMEs from Vhembe District Municipality been?

1.6 Outline of Chapters

Chapter 1: Orientation of the Study

This chapter introduces the study and provides a background for the study. Furthermore, the problem statement that was explored including the research objectives as well as the research questions. The scope and limitations of the study were also discussed.

Chapter 2: Literature Review

This chapter reviews the literature relating to SMMEs and their plight in the competitive business environment. The researcher conducts a rigorous analysis of previous research conducted on the key concepts in this study, the barriers affecting the long-term survival of ICT SMMEs. The last

segment of the chapter outlines the theoretical framework of the study. Essentially the chapter acknowledges the research existing and drawing the gaps, which necessitated this study.

Chapter 3: Research Methodology

The strategies and techniques used to conduct this study are outlined in this chapter, this includes among other research design, methodology, research instruments, and approached to collect data.

Chapter 4: Data Presentation

In this part of this study, collected and analysed data is presented. The data is presented in the form of themes and elaborated themes. The first segment of the data presentation is presented graphically using tables and figures to reflect the demographics of the participants.

Chapter 5: Discussion of the findings

This part of the study is where the researcher engages with the data in terms of discussion and corroborate the findings with the existing literature. In the discussion, the researcher endeavors to highlight the contribution of the study.

Chapter 6: Conclusions, Recommendations and Implications

This is a final chapter of the study that summarizes the whole research project, providing findings relating to the research objectives, followed by the recommendations and conclusion. The chapter also discusses the implications of the findings as well as the recommendations for future studies.

1.7 Ethical considerations

Ethical concerns are essential in research; therefore, it is vital to take cognizance of ethical issues before one gets into trouble. This study complied with the ethical research requirements of the University of KwaZulu-Natal, Protocol reference number: HSSREC/00000545/2019. Usually, the crucial exercise of research ethics is based on the protection of the research participants' welfare. Pickard (2013) indicate that ethical approaches and measures in research ethics include, among others gaining access to the field, informed consent, anonymity and protecting participants. Additionally, Pickard (2013) states that accessing the research site involves being granted

permission to research the intended site. The researcher sent a letter to the Vhembe District Municipality as well as to separate ICT SMMEs requesting permission to conduct the study. The letter reflected the reasons for the study, the contact details of the principal investigator, and the contact details of the supervisor. The signed ethics clearance and the gate keepers letters are found in Annexure A and Annexure B, respectively.

1.8 Summary

This chapter has briefly highlighted the background that motivated the initiation of this study. The chapter further discusses the problem statement that was explored, including the research objectives as well as the research questions. The scope and limitations of the study were also discussed.

CHAPTER 2: THEORETICAL AND EMPIRICAL LITERATURE

2.1 Introduction

The previous chapter provided the introduction, background and justification for conducting this study. In this chapter, the focus is to evaluate several sources of information relating to SMMEs, their survival, challenges, and importance in the economy. This chapter intends to analyse the theoretical works describing the study and existing literature on the research topic to reveal contributions, weaknesses, and gaps.

2.2 Role of Literature Review

Generally, a literature review is a process that allows the investigator to have a comprehensive understanding of the topic under the study (Du Plooy-Cilliers, Davis and Bezuidenhout, 2014). Mavodza and Ngulube (2011) indicate that it is essential to do some reading on a topic to gain a better understanding or clarity on some matters. When research projects are undertaken, usually there is a gap or problem to be addressed, which might have been overlooked by previous studies.

In this study, reviewing the works of Tlhomola *et al.* (2011); Xaba and Rankhumis (2014); Soni *et al.*, 2015; Mpiti and Rambe, 2016; Wolmarans and Meintjes, 2015; Snyman, Kennon, Schutte and van Leipzig, 2014; and Chimucheka and Mandipaka, 2015) will assist the study to shape the discussion around SMMEs and its relevance on the South African economy. By reviewing additional sources of information, the researcher identifies the various methodologies that were adopted by other scholars, whilst allowing the researcher to compare and contrast those strategies to avoid encountering the limitations experienced by former studies, which might compromise the research (Chigada, 2014).

2.3 Theoretical framework for this study

The institutional, organisational theory and resource dependency theory will form the framework of this study. Both theories provide theoretical assumptions about the business' ability to survive in their environment. Figure 2.1 shows the relationship between two theories, which focus on explaining how the researcher conceptualize the ICT SMMEs from start-up and the factors that affect their long-term survival in the ICT industry. Through the existing theories, researchers can

establish the factors that affect the functioning of ICT SMMEs and predict its future. These theories relate in terms of their approaches towards the survival of the business. Central to the survival of the start-up SMMEs is the resources including raw materials, capital, and labour. This area is covered by the resource dependency theory. On the other hand, start-up SMMEs have internalized the fact that every business operates within a regulated environment. In this regard, the institutional theory adds that SMMEs and other businesses operates within an environment that has societies, regulations, government agencies, laws, and mobilised public opinions.

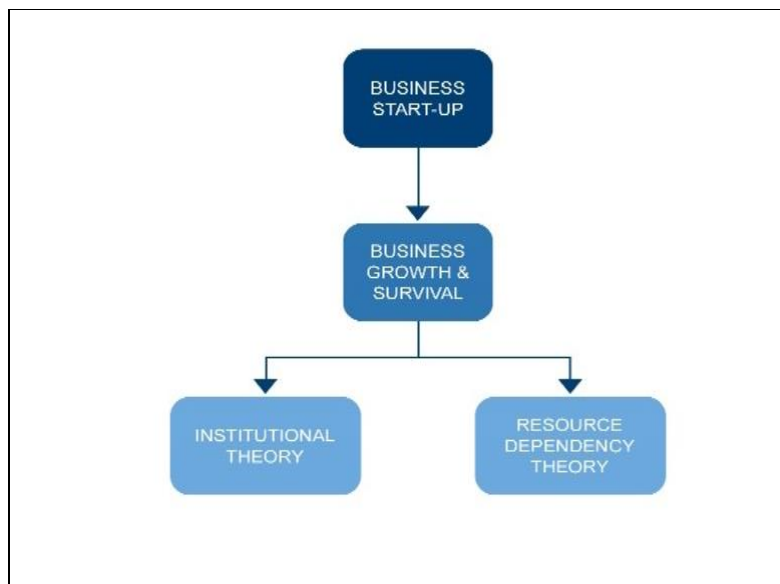


Figure 2.1: The relationship between institutional and resources dependency theories

Source: Chimucheka and Mandipaka (2015)

The two theories share different areas in the business environment that are necessary to be understood by the entrepreneurs to ensure the survival of their businesses. The study by Chimucheka and Mandipaka (2015) used two theories as part of its framework; this includes the Finance Gap Theory and Resource Dependency Theory. The said research aimed to establish the challenges that are faced by entrepreneurs and used the theoretical framework to make recommendations that were deemed suitable to resolved evident challenges. The study by Fadare (2013) examined the application of three organisational theories, namely resource dependency, institutional, and stakeholder organisational theories within different countries. Fadare (2013) explains that said theories apply differently in terms of national cultures. The essence in the latter

study is that each business culture responds differently towards theoretical application; however, each business culture must be known concerning organisational theories.

2.3.1 Business Start-up

Start-up companies are newly established companies that struggle for existence (Salamzedeh and Kesim, 2015). Going by the description by the researchers above, start-up enterprises are newly established entities that need enormous support for surviving the volatile business environment. The principal goal of start-ups is surviving and growing to reach a point of being regarded as a business. According to the literature, this kind of enterprises is susceptible to failure due to numerous factors. In South Africa, most SMMEs have little financial support, weak entrepreneurial culture, poor management skills, high barriers to market entry (Agwa-Ejon and Mbohwa, 2015). Most entrepreneurs refer to access to financing as the most significant challenge in their endeavours to develop and support their small enterprises (Small Enterprise Development Agency, 2016). Some researchers indicate that other factors preventing aspirant entrepreneurs from seeking business ventures include lack of training for entrepreneurs, the risk posed by the business conditions, a lack of suitable human resources, and legal restrictions on business activity (Swanepoel, Strydom and Nieuwenhuizen, 2010).

For start-ups enterprises to make a substantial impact to the economic development in South Africa, Swanepoel *et al.* (2010) suggest that South Africa should strive towards increasing the number of start-up enterprises and assist them in developing beyond the start-up stage. The remedy to the challenges affecting the survival of the start-up enterprises is within the tailored support, improved financial and management capacity, this could be achieved through targeted training and mentoring (Swanepoel *et al.*, 2010). For start-up enterprises to turn into renowned companies, they should pass the stage of start-up and go through business growth and survival, which would require them to have resources and adaptability to the environment. Salamzedeh and Kesim (2015) state that most of the start-ups that survive past the start-up stage might turn into successful companies that would play a vital role in the economies.

2.3.2 *Resource dependency theory*

The assumption behind this theory is that the organisation is set to survive if it has access to resources, which belong to other stakeholders in the business environment. Rungani and Potgieter (2018) write that the resource-based theory proposes that business resources and capabilities influence the growth and performance of the business. Davis and Cobb (2010) argue that the main emphasis of the resource-based theory is on the importance of resources and capabilities of a business. Essentially the central argument in the resource-based theory is that for a business to grow and perform successfully there should be resources and robust capabilities. The resources that are needed by the businesses could be in the hands of other businesses in this case known as stakeholders. Fadare (2013) state that the stakeholders who hold resources tend to influence the operational functions in the organisation that seeks assistance. It is therefore essential that entrepreneurs understand the business environment and its operation and can build formidable relations with other stakeholders. Bruwer, Coetzee and Meiring (2017) add to the debates that businesses need to understand that building relations with other stakeholders is essential, especially competitors, customers and suppliers. Maintaining a good relationship with the stakeholders mentioned above could be beneficial to the SMMEs. This will further guarantee the continuous supply of resources essential for the survival of a business.

Rungani and Potgieter (2018) add that another imperative for businesses to sustain competitiveness is having resources and capabilities that could not be easily imitated by other entities. This alludes to a business-specific capacity which is significant just like the technological and managerial environment. Fadare (2013) argues that having resources alone would not guarantee survival; instead, acquiring and maintaining the resources would ensure the business to survive. Rungani and Potgieter (2018) explain that resources discussed herein include monetary assets, equipment, brand name, technological proficiency, marketing and management prowess. Furthermore, capabilities refer to unique abilities concerning efficient managing, utilizing and increasing business-specific resources. These resources are fundamental for the mere existence of any business and expanding and keeping them would benefit the business' quest for long-term survival.

Drees and Heugens (2013) indicate that resource-dependency theory is premised on the notion that all organisations depend on other organisations for the provision of critical resources and that this

dependence is often reciprocal. According to the proponents of this theory, business owners are incentivized by their capability of ensuring the organisation's survival and being able to boost their self-sufficiency while sustaining the stability in organisation's relationships with other relevant stakeholders (Davis and Cobb, 2010). Chimucheka and Mandipaka (2015) posits that the business capability to access resources that are not within their organisations but with relevant stakeholders in the same business milieu and that if resources are scarce, businesses could be forced to explore other alternatives resources. Ultimately, the business' survival depends on its capacity to acquire and retain resources from stakeholders. Chimucheka and Mandipaka (2015) further that the emphasis on the theory is on businesses aiming to reduce or increase their level of dependency from other external actors through partnership and joint ventures.

This study explores the factors that affect the long-term survival of ICT SMMEs, and the resource dependency is considered relevant as it emphasises the importance of resources that are fundamental to any SMME's survival. Since the resource dependency theory argue that the resource that is needed by the organisation could be within the organisation and outside the organisation, it would be of the essence to establish how ICT SMMEs acquire and maintain resources from relevant stakeholders in the ICT business environment. ICT SMMEs require resources such as raw materials, workers, funding, and infrastructure to operate and function effectively. If one company controls the majority of resources, other companies depend on the company endowed with the resources, creating a symbiotic relationship. If there is too dependency, uncertainty arises; thus organisations are subjected to risk of external control. In this instance, the government or other organisations that wield more resource power would exert the external control. Fadare (2013) asserts that external control imposed by the government can also affect operations such as funding and policies. It has been highlighted earlier that the South African business regulatory environment is very restrictive to firms, especially to start-up business ventures.

2.3.3 Institutional organisational theory

Complementing the resource dependency theory, the institutional organisational theory goes further and assumes that resources such as raw material, capital, and labour are indeed quintessential for business to survive. On the same vein, the business fails to survive if there is a

lack of acceptance from surrounding host societies among other regulators, government agencies, laws, and courts as well as a mobilised public opinion (Fadare, 2013). In this study, institutional theory refers to the framework that comprises the social forces that are external to businesses but impacts organisational behaviour (Scott, 1995). The institutional organisational theory centres around the environmental prescripts that make the organisation conform to the social and cultural norms (Bruwer *et al.*, 2017). The proposition in this theory is that environmental factors constrain the survival of the business. Scott (1995) state that within institutional influences, some undetectable forces are pressing the organisation to adhere to taken-for-granted rules and norms.

The institutional theory is underpinned on three pillars by Scott (1995), namely regulative, normative and cultural-cognitive elements. The regulative pillar includes the guidelines and laws that affect the future behaviour of businesses by enforcing rewards or disciplines for conformity or resistance. The normative pillar accentuates the values and standards that have prescriptive, evaluative and obligatory implications. A normative framework designates appropriate ways to be followed by businesses. The cultural-cognitive pillar comprises an inner interpretation of an external cultural system in the form of scripts and convictions. Institutional forces often influence businesses to adopt new structures and practices institutionalised by their friends or unrivalled powers (Gomes and Gomes, 2007).

Often, when organisations encounter the institutional forces, feeling threatened by the prospect of being targeted as non-complying entities is common, once businesses encounter this phenomenon decide to be isomorphic with other successful organisations (Gomes and Gomes, 2007). DiMaggio and Powell (1983) define isomorphism as a constraining process that forces one unit in a population to resemble other units that face the same set of environmental conditions. DiMaggio and Powell (1983) further identify three types of isomorphism namely coercive, mimetic, and normative, which aligns with Scott (1995) three pillars:

- Coercive isomorphism comes from the necessity of the organisations to adhere to the rules to achieve legitimacy;
- Mimetic isomorphism result from the situation where organisations copy one another due to the inability to cope with environmental uncertainties;

- Normative isomorphism result from an organisation being obliged to embrace patterned behaviours institutionalised by the authorities.

Based on institutional theory, SMMEs would adopt the behaviours and processes that provide legitimacy within that field. The government has the obligation of ensuring that SMMEs are protected by favourable regulations that enables them to thrive, in that way they could indeed adopt such behaviours.

2.4 Small-Medium Micro Enterprises (SMMEs) in South Africa

The informal sector in South Africa has its history as far back as in the 1970s (Jere, 2014). The rise of informal sector activities among South Africans came as a reaction towards the exclusion policies that were enacted by the apartheid government (Moloi, 2014:24). To add to the plight of the African people, Bantu Education of 1953 created a society that consumed flawed education system, was further viewed as obedient subjects who weren't meant to own businesses (Giliomee, 2009). After Africans land was taken from them, poverty was inevitable, with most people being unable to access good quality education resorting to mine labourers. Being domestic workers was the next best option for many. Hiralal (2010) states that even municipalities enacted bylaws that prevented street vending, a business that is famously known to be owned by many South Africans. It is needless to state that Africans were disenfranchised and systematically sidelined from participating in the formal economy. This resulted in the formation of the informal sector to supplement the pitiful income from white employers. In all these undertakings, the apartheid regimes policies were fixed to strip Africans of any opportunity to gain a living wage (Moloi, 2014).

Post 1994, the democratic government embraced the new systems and perspective towards the informal sector. Moloi (2014) states the South African government has shown keen interest in supporting the SMMEs. In 2003, the Black Economic Empowerment Act (BEE) Act of 2003 was introduced to support the country's national development plan (NDP) (Moloi, 2014). Given the low standard of living led by the black communities, the NDP was designed to ensure that the standard of living of poor black neighbourhoods.

Additionally, the NDP has been intended to offer basic services to all by 2030 and enable black-owned entrepreneurial adventures just as guaranteeing inclusive towards economic development (Moloi, 2014). The informal sector is generally integrated into the mainstream economy aligned with the government's policy discourse. The informal sector plays a crucial role in economic development and thus, cannot be disregarded. In recognising the role of the informal sector in the economic activities, the government included the small to medium enterprises in the national development plan. Thus far, black-owned entrepreneurial ventures in various sectors, including construction have been on the rise, and the survival of their experiences would be critical for economic development.

The success story of SMMEs in SA has been extensively published concerning their positive contribution to the economy of the country. Unfortunately, the success has been overshadowed by failures by the SMMEs to survive longer and thus have rendered SMMEs environment unstable. The Global Entrepreneurship Monitor [GEM] Report (2014) states that South Africa falls behind many fellow African countries such as Ghana and Zambia in its quest to establish, sustain, and grow successful entrepreneurial ventures. The need to improve the quality of living standards, South Africa must reduce poverty, create employment, and redress the widening inequality gap both nationally and provincially. South Africa's economic growth is not impressive; that is, the growth rate is meagre compared to global and regional economies because of inadequate support structures for informal and SMME businesses (GEM, 2014). In addition, long-term sustainability and growth are impeded because the government has not put in place mechanisms to promote, support, and guide these entrepreneurial ventures.

According to the Consumer Goods Council of South Africa (2014), "29% of the country's gross domestic product comes from the SMMEs." In terms of the job opportunities, the SMMEs were estimated to have created about 11.6 million jobs (CGCSA, 2014:1). The World Economic Forum (2012) reported that during the 2003 and 2013, South Africa's GDP grew at an estimated value of 3.4%. Over the years, there has been a steady movement on the economic growth as the real GDP grew at an estimated 0.7% in 2019, down from 0.8% in 2018, which is not positive growth. This paints a bleak picture of South African development and its ability to create employment, which is a case in point for SMMEs to flourish. However, it has been established that entering the informal and SMMEs sectors has its barriers but are nevertheless lower and cost-effective when

compared entering the formal sector (Liedeman, 2013). As much as the obstacles could be regarded as low in the informal and SMMEs sectors emerging entrepreneurs would still require assistance from the government.

Acknowledged internationally, the value of SME and informal sectors goes a long way; however, the daunting task is to define what constitutes an SME. Zambonini (2012) posits that small firms are defined different such that there is no universally accepted definition, perhaps the difference in the characteristics of these firms in terms of capitalisation, sales and employment makes it hard for a widely accepted definition. Thus the broad way of viewing the SMMEs fall within the continuum of economic and statistical (GEM, 2014). Concerning the economic definition, a firm is regarded as small if it has a relatively small market share, managed by owners, and is independent (not part of large enterprises (GEM, 2014). On the other hand, the statistical definition entails quantifying the size of the small and its contribution to the GDP, employment, and exports; comparing the small firm sector's economic activities over time and the overall small firms' sector's contribution to the GDP.

The comprehensive description of SMMEs in the National Small Business (NSB) Act 2003 provides specific characteristics for SMMEs, namely *survivalist enterprise*, whose turnover is less than the minimum income standard/poverty line. The NSB Act (2003) further stipulates that this category of enterprises involve street vendors, hawkers and subsistence farmers or the micro-enterprise sector. *Micro-enterprises* realise R150, 000 annual turnovers and are usually registered. Typical examples of these entities include minibus taxis, Spaza shops as well as household industries employing less than five people. The third category of SMME relates to *smaller enterprises* employing fewer than 10 people. This category of SMME operates within the formal market, which enables them access to technology *and small enterprises* that employ no less than 50 people. The SMME are more established businesses exhibiting problematic business practices (NSB Act, 2003). *Medium enterprises* employ more than 50 people and less than 200. In medium enterprises, power is decentralised to other additional management layers (NSB Act 2003).

The Department of Trade and Industry (DTI) (2015) states that many people conflate small businesses to mean SMMEs whereas the term “enterprise” refers to entities such as close corporations. Table 2.1 depicts the characteristics of informal and formal sectors.

Table 2.1: Characteristics of informal and formal sectors

Informal Sector	Formal Sector
1. Easy of entry	1. Restricted entry
2. Indigenous assets	2. Reliance on national and foreign finance capital
3. Family ownership	3. Corporate ownership
4. Small-scale operation	4. Large-scale operation
5. Labour-intensive and adapted technology	5. Capital-intensive and imported technology
6. Skills acquired outside the formal system	6. Formally acquired skills
7. Free and competitive markets	7. Protected markets

Source: Adapted from GEM (2014:43)

2.5 Relevance of SMMEs to the industry and economy

This section discusses the relevance of SMMEs, focusing on the economy and industry. Reuber (2000) acknowledges that SMME entrepreneurial ventures are usually involved in retailing, manufacturing and trading. Therefore, the relevance of these businesses cannot be overlooked. Fischer and Reuber (2003) indicate that the activities from the informal and SMME businesses are often engaged in retailing, trading, or manufacturing. Coutler (2006) states that the importance of entrepreneurial ventures remains vital in every sector of the global economies. Key areas where entrepreneurial ventures are significant, including innovation; several start-ups and employment creation. While Kerinova (2007) posits that in emerging countries, the SMME sector serves as a driving force for the economic growth, invention, and job creation resulting in the sector becoming the incubator for large-scale businesses.

2.5.1 The SMME impact on GDP growth

South Africa has an opportunity to expand various economic hub by using informal and SMMEs as a vehicle for achieving a positive economic growth (Museza and Chigada, 2012). With several entrepreneurial ventures operating, South Africa has, like any other developing nations, experienced some relatively modest economic growth through innovation, competition, and

innovative products and services. Zambonini (2012:3) argues that “until the country makes the necessary adjustments to the above factors, the country might not experience the much-needed growth, and the country might not reach the competitive levels that it requires. Entrepreneurship requires a great deal of commitment because it is a challenging route to success”. According to Gore and Fal (2010:7), *“Becoming an entrepreneur is like jumping out of an aeroplane with silkworms instead of a parachute and hoping that they are over-achievers.”*

Gore and Fal (2010) state that entrepreneurship goes hand in hand with the innovation. That is; an entrepreneur’s concepts, products, services, and processes have to be unique from competitors’ offerings. The “me too” mentality and the inclination to emulate others is a big challenge confronting some South African entrepreneurs rather than innovation (Gore and Fal, 2010). It is acknowledged that the ability to build innovative goods and services using technologies, innovativeness and organisational skills can guarantee the commercial success of many business ventures (Freytag and Hurik, 2010). Drucker (2013) argues that with the relentless advancing of technological environment, it would be essential for entrepreneurs to exploit this advancement as opportunity for venturing in other businesses or different services.

Silverstein (2006) argues that coping with the changes in the market is itself not sufficient and further advice that entrepreneurs should take advantage of the changes as it would help them improve their business course by being innovative. The commercial centre, where entrepreneurs wind up contending, is consistently severe given the quicker pace of progress. The way to endure just as progress is the steady improvement of products, services, and processes as well as systems. According to Silverstein (2006), keeping with the competition in the market requires entrepreneurs to welcome new ideas even if it comes from their employees.

2.5.2 High employment ratio

Even though it has been recognized that SMMEs represents about 91% of the formal business in South Africa, contributing somewhere in the range of 52% and 57% of GDP and giving back 61% of work (Berry et al., 2002). Developing SMMEs in South Africa can fundamentally add to decreasing joblessness. Small businesses make a significant commitment to the improvement of mechanical advancement in South Africa and inside enterprises at local levels. The European Union unequivocally accepts that the private venture division holds the way into the future

restoration and development of Europe (Thomas, Miller and Murphy, 2011:10). The situation of entrepreneurial activity is not so great because most of the start-up businesses do not survive beyond five years (Zambonini, 2012). In 2012, a survey carried out by the GEM in 59 geographically economically diverse countries revealed that 110 million individuals between the ages of 18 and 64 years were effectively occupied with starting a business, while another 140 million were running new organisations which they had begun under 3½ years sooner. It was additionally found that out of these, 250 million beginning early-stage entrepreneurs, an estimated 63 million expected to enlist at any rate five representatives throughout the following five years, and 27 million foreseen employing at least 20 workers in a similar period (Herrington *et al.*, 2008:127). These figures reflect how significant enterprise is in the decrease of joblessness and destitution over the entire world.

2.5.3 Skills development incubator

In South Africa, Mr Richard Maponya, Mr Patrice Motsepe and Mark Shuttleworth to name but a few are entrepreneurial success stories that South Africa could boast about their success. These individuals grew from humble beginnings to vast business empires (Eastman, 2012). These individual businesspersons acquired their skills through various forms that include the transfer of skills to and between employees to keep them competitive and sustainable. Mr Patrice Motsepe, the Executive Chairperson of African Rainbow Minerals, is South Africa's first black and only billionaire who made his fortune from cautious mining investments. He is positioned by the Forbes Africa magazine as the eighth richest man on the continent, with an individual riches estimated at around \$US2.65 billion (Dolan, 2013:53). Mr. Motsepe was raised in an entrepreneurial family; his dad owned a Spaza shop which was frequented by mining labourers (Johnson, 2013:1). During this time, he was introduced to the world of mining, and his enthusiasm for mining was conceived.

Richard Maponya, is among the wealthiest people in South Africa, was brought up in Limpopo. Maponya's journey in the business world started with little grocery shops, and in 1952 he opened Soweto's first dairy products shop, which at last employed more than 100 people (African Success, 2013:2). In 2007, the Sowetan entrepreneur built the Maponya Mall, which has been voted as the best shopping centre in Gauteng and the second best in the country (Barron, 2012). Mr Maponya

was awarded the 2012 Africa Entrepreneurship Lifetime Award by the African Leadership Network and philanthropic investment firm, Omidyar Network.

Mark Shuttleworth is one of South Africa's most innovative entrepreneurs, notable for being the leading African in space. Mark was born in the Free State and moved on from the University of Cape Town with a BSc degree in Finance and Information Systems (Eastman, 2012:3). He has been depicted as perhaps the best case of business visionaries on the African content. He made his fortune in the information technology sector; he began and sold a few organisations. He is additionally respected for the improvement of a free PC operating system, Ubuntu, which is currently utilized by numerous customers and organisations. The rise of Mark is significant to this study of SMMEs in the Information Communication Technology sector because Mark grew his ICT business with meagre savings. Thus, the entrepreneurial venture was the incubator for him. Eastman (2012) states that the success of Mark was attributable to his level of confidence, the capacity to trust in his strengths and conveying optimism attitudes; self-determination which helped him overcome any complications, trials and frustrations in his quest to become a successful entrepreneur. Mark's success was attributable to his work ethics. Reports suggest that he stayed dedicated and hardworking when finishing his activities (Eastman, 2012).

The accomplishments of Mr Richard Maponya, Mr Patric Motsepe, and Mr Mark Shuttleworth are good examples of how SMMEs are the driving force or engine room for economic growth. The above entrepreneurs were the first tier incubators for large South African firms and are sources of inspiration for the youth who aspire to venture into entrepreneurship and get an opportunity of running their small businesses. Greene (2011:140) indicate that entrepreneurs have to most of their time interacting with people within the organisation, managing people, thus have to depict leadership abilities and further motivate their staff members. Good leaders would have a workforce that is encouraged to bring out ideas which makes them a dedicated workforce. In this way, customers' needs and sales would be in safe hands. Also, Greene (2011) opines that entrepreneurial ventures help cultivate a set of skills including good leadership judgement; honesty; consistency, enthusiasm; cooperation, communication, dependability, and understanding of business processes.

2.5.4 Low entrance requirements

Organisations in this sector can be effectively and immediately established and provide a springboard to emerging business people into different sectors of the economy. The high work ratio often implies the capital requirements for beginning with new businesses. These organisations can likewise adjust a lot faster to changing economic situations, making them conceivably more manageable and sustainable. South Africa has a high pace of joblessness among youth, characterized by the administration as people somewhere in the range of 15 and 34 years old. In December 2010, about 3,000,000 youth were jobless, representing 72% of overall joblessness in the nation. South African youth additionally lag behind other sub-Saharan African youth in seeing that entrepreneurial opportunities exist (39% contrasted with 70%) or that they have the abilities essential to capture them (40% contrasted with 76%).

Herrington, Kew, and Kew (2009:45) indicate that 7.8 % of individuals with matric and 12.3 % with tertiary training were significantly more likely to possess and manage a start-up than 4.3 % of those without matric. The report further highlighted education as an indicator of the new company's survival, and this has been consistent in the GEM reports. It has raised concerns on the sketchy quality and appropriateness of South African education (Herrington et al., 2009:45). The illustration in Table 2.2 depicts entrepreneurial activity for three African countries. Morocco has the highest (15.2%) established business ownership rate followed by Tunisia (10.2%) while South Africa has the lowest.

Table 2.2: Entrepreneurial activities across African countries in 2009

Countries	Nascent entrepreneurship rate	The new firm ownership rate	TEA	The established business ownership rate
South Africa	3.6	2.5	5.9	1.4
Tunisia	2.2	7.2	9.4	10.2
Morocco	6.9	9.4	15.8	15.2

Source: GEM (2014)

Establishing a business venture does not require substantial financial investments; however, depending on nature and products or services produced, some business ventures might need some

financial assets. The overhead costs of setting-up SMME are little, SMME has an excellent success potential, especially firms operating in the ICT sector, which can generate revenue because of the demand for its services. Other businesses operating within the informal sector, such as retailers, operate extended hours. Tinyane (2014) states that casual sector industries operate long hours in Tembisa because of the dictates of the market's expectations. The informal economy/sector is currently generally utilized in the mainstream formal economy as a part of policy discourse in all government spheres (Moloi, 2014:21). Notwithstanding, a few experts have attempted futile to condemn the idea by contending that perceiving the informal sector is an endeavour to support the requirements of the business, bringing about the advancement of isolated and inconsistent improvement of the rich and poor.

2.6 Challenges confronting SMMEs

The viabilities and the survival of the SMMEs often get confronted with numerous challenges in South Africa and in the world (Moloi, 2014). The challenges include some of the following.

2.6.1 *Lack of business management skills*

Tlhomola *et al.* (2011:3) attribute the failure of SMMEs to the inability of the entrepreneurs to demonstrate skills to manage the capital investment that supports the business' activities as well as being unable to use the modern technologies to its full capacity. This may well be some of the central issues that emerging entrepreneurs grapple with when they enter the ICT SMMEs environment. Reports indicate that a lack of business management skills might be caused by limited or little formal education. Freytag and Thurik (2010:89) state that "business management skills enable shop operators and owners to harness competencies needed to run a business". Liedeman (2013:3) states that "the informal sector is confronted by poor business management skills. When inaccurate decisions are made, there is a high chance that the operations of the business are affected". Zambonini (2012:3) states that an absence of business management aptitudes and the recruiting of unqualified individuals add to the closure of specific organisations. A cross-pollination of aptitudes and capacities help entrepreneurs to be successful. These skills include marketing, business finance, sales, advertisement, human resource management, interpersonal skills, customer-oriented, stock control management (Perks, 2010:448).

2.6.2 *Prevailing political environment*

Others like Xaba and Rankhumise (2014:181) attribute the problems of SMMEs to the political spectrum of the country given in the history of apartheid rule, which divided the country immensely on ethnic grounds. According to these authors, there is a lack of entrepreneurial participation by black South Africans. Such factors would be identified whether they have affected the prolonged survival of ICT SMMEs. Xaba and Rankhumise (2014:183) opine that by eliminating specific barriers, a business is likely to succeed. Moloi (2014) concurs with Xaba and Rankhumise (2014) that the previous apartheid regime created unfavourable living and working conditions for black people. Thus, the resolution was for blacks to supplement their meagre salaries through the selling of grocery and other goods.

2.6.3 *Lack of financial support*

The common factors affecting SMMEs in SA that have been reported extensively include among others being able to get finances, lack of financial skills and inadequate government support (Tlhomola *et al.*, 2011; Xaba and Rankhumise, 2014; Soni *et al.*, 2015; Mpiti and Rambe, 2016; Wolmarans and Meintjes, 2015; Snyman, Kennon, Schutte and van Leipzig, 2014; and Chimucheka and Mandipaka, 2015). The lack of financial support seems to top the problems threatening the informal sector as financial establishments impose severe lending conditions for businesses, including the small businesses. Research report that financial establishments have among the most stringent requirements that should be met when companies apply for financial assistance, including the business models and collateral (Sayed, 2010:22). Furthermore, it is apparent from the literature that countries such as Morocco, Ghana, Algeria, and Tunisia also have the similar challenge concerning the lack of financial support for the SMMEs (Sayed, 2010:22). Notable financial establishments choose the businesses whose risk profile is not high when deciding on who should be funded. Many reports show that financial establishments are not eager to loan credit to businesses that do not have bona fide business models that clearly articulate revenue generation. The Finmark Trust, (2010) report that SMMEs in Gauteng and North West and some provinces SMMEs have relative access to finance. Other provinces such as Mpumalanga and Northern Cape have a predominantly rural nature. The GEM Report (2014) that low profitability was rising sharply, resulting in the discontinuance of SMMEs.

2.6.4 Economic environmental factors

Even though an absence of money related help is, for sure a significant obstacle, informal microenterprises work in an exceptionally uncertain environment, and their performance is difficult to measure (Mbonyane, 2006). Inflation, interest rates, unemployment and crime, low demand for products, the incorrect estimation tactics often applied to entice customers are also regarded as those economic factors that affect the long-term survival of the SMMEs (Cant and Wiid, 2013). Neneh and Vanzyl (2012) argue that the survival and success of SMMEs depend on their ability to adapt its internal structures to how technology and its environment has evolved.

2.6.5 Expensive Transportation

Neneh and Van Zyl (2012) point out that most SMMEs operate in residential and a few SMMEs operate in industrial areas. In both instances, these small firms do not have good financial resources to fund business activities such as transportation of goods from warehouses to their premises. At times SMMEs owners are compelled to get alternative means of transport for their goods. Transportation of bulk and other goods is costly; thus, prices for goods are driven up because transporters also want to make profits (Museza and Chigada, 2012). In dealing with transport-related costs, SMMEs work together and establish their associations which would assist them to have discounted charges for transporting their goods.

2.6.6 Insufficient Trading space

The size of some SMMEs makes it possible to be operated in smaller spaces such as backyards, however in the event of expansion the SMMEs might struggle to get space to operate since there is noted limitations in that aspect. In the study done in Western Cape understand the challenges faced by the SMMEs businesses, Liedeman (2013) found that the lack of trading space was among the apparent difficulties which had further driven SMMEs to operate within the municipality allocated spaces which is small. The findings of the study also revealed that the majority of the SMMEs, especially working in the backyards encountered limitations in terms of their business expansion. World Bank (2014) has highlighted trading space limitations as a global challenge confronting numerous economies but more emerging economies. The World Bank attributes this factor to the population growth. Numerous individuals are moving to urban areas and urban

territories, in this manner, the lack of building land pressurise local government in dealing with the function of providing housing to the communities (Moloi, 2014). There may not be a prompt strategy to manage constrained trading space. It has been observed that the proliferation of shopping malls is creating opportunities for small medium and large retailers; however, the rentals at shopping malls are prohibitive for small start-up firms (Leideman, 2013).

2.6.7 Lack of supply chain management network

The existence of supply-chain networks helps small businesses to manage the transportation of goods efficiently. Museza and Chigada (2013) state that the foundation of firmly interfaced supply chain management networks empowers administrators to get discounts from wholesalers, which, contributes fundamentally to the firms' cost structure. Independent companies would be able to give value discounts to their clients. Supply chain networks help drive down costs. The establishment of affiliations and co-ownership assists with making cooperative synergy, share ideas, and information in regards to the repositioning of the business to withstand competitive forces (Museza and Chigada, 2012).

2.6.8 Competition and lack of cooperatives among SMMEs

Research has found that poor management and the employment of unqualified individuals also contribute to the failure of some small businesses (Museza and Chigada, 2013). Despite the high failure rate of small companies, entrepreneurs still have an essential role in the economy of the country. Apart from employing unqualified personnel Freytag and Thurik (2010) adds that intense competition within the sector for SMMEs is another factor that affects their long-term survival. This is usually caused by the increasing number of SMMEs to operate within the same environment and even offering a similar product. The study presented by FIME (2014) report that at times the foreign-owned small businesses were more successful than those of the citizens, the success of foreign-owned businesses was attributable to their ability to pushing prices down and exploit the competitive strategies such as the network in supply chain management and co-ownership of the businesses. Also of the said strategies was found to be helpful to the foreign operated businesses. Moloi (2014) argue that the transaction cost for foreign operated businesses and not the same as that of South Africans operated businesses; this would invariably result in favourable terms from the wholesalers and manufacturers. Small firms are disadvantaged in

various ways, including the inability to pool together their bargaining power against significant players in the industry. For example, medium and large ICT firms might have a monopoly over specific software and hardware components. Small software development firms would not withstand Microsoft Corporation.

2.6.9 Contextual-specific challenges

A looming challenge confronting South African SMMEs is the positioning of their organisations. Occupying a strategic position in terms of clients and accessible, relevant stakeholders is critical for sustainable SMMEs. Running of SMMEs requires commitment, resilience and a positive attitude since they operate in a volatile environment with a lot of uncertainties (Bisseker, 2014). Location-context challenges add to transportation costs which convey a considerable bit of the organisation's cost structure (Bisseker, 2014). Some entrepreneurs need innovative; accordingly, this creates opportunities for failure. Development is how change can be abused to make a separated item or administration offering (Drucker, 2013). While doing a business, entrepreneurs should consider the inspiration for doing the business (Volker, 2012), along these lines, it additionally gets more pronounced the area of that business. Setting up and working a business in a particular area ought to be driven by the commitment of the company to the region and riches creation that is gotten from that adventure (Museza and Chigada, 2013).

2.6.10 Limited education

The concept of education can be viewed from different perspectives regarding its importance in the running of small businesses. Educated business owners are better positioned to grasp the disequilibrium in the economy compared to someone who does not have business education (Bradshaw and Carrington, 2009). Lack of understanding of economic activities may have detrimental effects on how entrepreneurial ventures are run. Therefore, the small business owner must take advantage of the changes and innovate to capture the opportunities presented. A recognised group of SMMEs may engage services providers for further training and education related to business management, financial management, and communication skills (Museza and Chigada, 2012). To improve the level of education, meetings to share ideas and information regarding challenges confronting the economy and businesses might be used as platforms for engagements (Gore and Fal, 2010).

2.6.11 Regulatory framework

The country's policy frameworks may impede the success of SMMEs (Bradshaw and Carrington, 2009). Until recently, most small business owners are not required to register. The FIME (2014) states that due to the increasing number of foreign-owned small businesses, the government of South Africa is in the process of drafting legislation to ensure small businesses are regulated. Legislation has a significant impact on small businesses because some of the operators may not be able to raise the registration fees. Thus, some business ventures will be forced to close down if they fail to obtain an operator's license. Also, the South African business environment is overly regulated; thus, many small businesses find it difficult to pass such regulatory conditions (Bradshaw and Carrington, 2009).

2.6.12 Lack of innovation

Successful small business operators thrive on innovation. There are various factors at play that hinder innovation, and these include a lack of education and or business management skills. The uniqueness in one's ideas sets apart successful and unsuccessful business. Freytag and Thurik (2010) state that the development of new services coupled with organisational skills helps business ventures to grow into big firms. Gordon (2010) argues that innovation is the specific tool of entrepreneurs, how they exploit change as an opportunity for a different business or a different service. The faster rate of change happening in business challenges entrepreneurs to create products and services that will continue to stand out and lure customers. Silverstein (2006) argues that it is not adequate to cope with change: entrepreneurs have to take advantage of it, and this requires innovation coupled with implementation.

2.6.13 Crime

Crime is a worrisome issue in South Africa, and there is no specific province that is immune to this scourge (Museza and. Chigada, 2013). Ligthelm (2005b:211) highlights that 25% of 340 retailers interviewed, who were clients of Quatro Trading, indicated the high crime rate, robbery, and burglary as the second major constraint to their businesses, after lack of financial support. Crime rates in townships have negative impacts on the sustainability of the informal sector- specifically small businesses that were highly targeted for holding cash on-premises (Moloi, 2014).

2.6.14 Poor infrastructure

Another critical challenge confronting SMMEs was attributable to lack of access to physical infrastructure which impeded businesses and cost of doing business. Businesses require communication infrastructure, utilities, and transport, land, or space (as alluded to earlier) which are instrumental in supporting businesses. The GEM (2014) revealed that small businesses in Gauteng have more difficulty finding physical space to operate from. At the same time, firms in North West cited problems related to utilities- caused by power disruptions.

2.6.15 Lack of Access to markets

SMMEs are confronted with the inability to access markets; thus, their longevity is threatened. Business owners should be able to access funding or mentors at an early stage of their business ventures. Businesses operating in rural areas may be at a disadvantage compared to businesses operating in urban areas (Ladzani and Netswera, 2009). For firms that have passed their start-up phases, the formation of spatial clusters is encouraged to help fragile businesses in intensely competitive positions.

2.7 ICT SMMEs in the global context

The discussion relating to SMMEs seems to be a global phenomenon mainly for developing countries. Sevrani and Bahiti (2008) state that this discussion is necessary because countries in the world are moving from an industrial economy to a knowledge economy in which economic growth is dependent on a country's ability to create, accumulate and disseminate knowledge. The role of SMMEs in any country's economic growth which supported by substantial empirical evidence is the reason they are receiving more attention from various stakeholders, including the researchers (International Telecommunication Union, 2016).

ITU (2016) reports about the small tech businesses, a concept that in the current study is known as ICT SMMEs, in the ITU report it is evident that small tech businesses create new sources of employment. This is a common thread with SMMEs almost on all the sectors. The other common feature of ICT SMMEs is that unlike other SMMEs, ICT SMMEs have a high failure rate and this makes them risky and reliant on non-traditional financing sources such as venture capital as well as crowdfunding (ITU, 2016). Though the ICT sector seems to be an enticing business

environment to invest in, it also has its dynamism in terms of survival due to large scale competition. As an attempt to deal with the said issue in the ICT sector, Brazil sought to protect its internal companies through international trade policies during the 1980s (Burzynski, Graeml and Balbinot, 2010). Burzynski *et al* (2010) also state that such protection impaired the growth ability of domestic companies to compete at a global level. Given the inefficiency of the ICT companies, the Brazilian software market was subsequently reopened in the 1990s. ITU (2016) supports a dynamic ecosystem of ICT SMMEs and states that it can create a positive feedback loop in a country's national ICT sector.

According to ITU (2016), many developing countries have emphasised the development of a software export sector clustered in suburban technology parks. While computer software exports may benefit certain countries, in the same tone such benefit would come at the expense of local emerging companies. The government through various incentives often supports the phenomenon, while software export receives attention to domestic ecosystem start-ups are not given the same attention. In turn, emerging ICT entrepreneurs get driven out of business or consumed by larger companies that are self-sustainable. The global perspective literature on ICT SMMEs highlights that the ICT sector is an important business sector that drives the knowledge economy.

2.8 Synthesis and evaluation of theory

The two theoretical works discussed in this chapter have roots in the commercial sector, public institutions, and military organisations. Theory, as it applies to ICT SMMEs, still developing. However, it is still essential to synthesise and evaluate the existing ICT SMME theory to understand it further, as well as create inroads into the development of that which is relevant to the ICT SMME sector. By synthesizing theory, the author established the outline of the theory, whose proponents are, where and how it can be applied, whether or not it promises prediction and whether the concepts are understood. The above theories gave insights into what work has been done or happening in the ICT SMME sector in South Africa.

2.9 Empirical studies on the informal sector in South Africa

Different studies have been undertaken in various informal sectors in South Africa. Tinyane (2016) conducted a study that explored factors affecting the survival of Spaza shops and other small

businesses in Tembisa, Gauteng. A qualitative research approach was conducted with 20 randomly selected SMMEs. It was revealed that some of these small business ventures did not survive beyond two years due to a lack of access to markets, funding, management skills, education, and poor supply chain management networks. The findings by Tinyane (2016) support the findings from Leidman (2013) whose study focused on the challenges confronted by the informal sector in Gugulethu and Khayelitsha in the Western Cape Province. Leidman (2013) established that lack of funding, limited trading space, expensive transportation costs, lack of business management skills, education, access to markets, and mentorship contributed to the collapse of these small business ventures. Extant literature states that entrepreneurial activity in South Africa is deficient compared to the rest of Africa. In earlier discussions, it was highlighted that there are restrictive regulatory policies in South Africa; thus, small firms are inhibited from growth.

2.10 Summary

In conclusion, the critical issues discussed in this chapter focused on the role of the literature review, the entrepreneurial landscape in South Africa. It was pointed out that the informal sector (SMME) contributes significantly to economic growth through innovation, job creation, contributing to the GDP. The challenges confronting the informal sector were highlighted as lack of funding, mentorship, access to markets, poor supply chain management networks, limited trading space, expensive transportation costs, limited education, crime, and stringent regulatory environment. The relevance of the ICT SMME sector to South Africa and the global village cannot be underestimated. It was acknowledged that the informal sector is a significant contributor to the development and growth of many economies. Also, it was highlighted that SMMEs were incubators for large operations and innovation. The focus of the next chapter is to describe the research methodology that was used in this study.

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes and discusses the research design and methodology used to conduct the study. It is imperative to highlight the plan of action used to arrive at research findings so that readers understand and follow through how the conclusions were reached at. The purpose of this study is to contribute to the body of knowledge regarding the barriers that affect the long-term survival of the ICT SMMEs. Furthermore, the necessity for this study is set an action plan for ICT SMMEs to manage themselves, build their products and prepare for such elements that add to business failure. To this end, an appropriate research plan of action should be put in place to collect, analyse and interpret data to come to a solution to the management problem. Open-ended research questions were developed to collect relevant facts; therefore, commensurate data collection techniques are required so that the study makes an invaluable contribution to theory building in the context of ICT SMMEs. The first section of this chapter will discuss the research philosophy/paradigm that informed the study, followed by the research design-a structure that holds different concepts together. The research methodology will refine the approach/strategy influenced by the research paradigm. The target population, sampling procedures and sampling techniques adopted in this study will be discussed, followed by the data collection process and pilot study. The data analysis section informs readers how data was analysed to produce meaning. The trustworthiness and plausibility of the research instrument will be discussed, followed by the ethical issues considered in this study. Before the chapter is concluded, readers are reminded of the limitations, scope and how bias was eliminated from the study. The research onion shown in Figure 3.1 was used to shape the structure of this chapter.

3.2 Research Philosophy

Creswell (2012:32) states that the researcher formulates that title and design research questions as the first processes in any research project the topic and appropriate research questions provide the direction of the research project are derived from the title. Van Wyk (2012:172) also states that topic formulation guides the whole research endeavour. The research philosophy/paradigm is defined as the worldview or belief, which guides the way people do things (Saunders, 2009:129).

Saunders, Lewis and Thornhill (2012:212) posit that a research paradigm is a formal set of practices followed by people when acting on some activities. In simple terms, a research paradigm is an element of a research philosophy because it deals with epistemology (Ngulube, 2014:48). Generally, the research philosophy lays a foundation from which the research methodology builds. It further serves as a guide in the development of knowledge during a research process (Rosario and Goh, 2008:4). The illustration in Figure 3.1 postulates four philosophies: pragmatism, Interpretivism, realism and positivism.

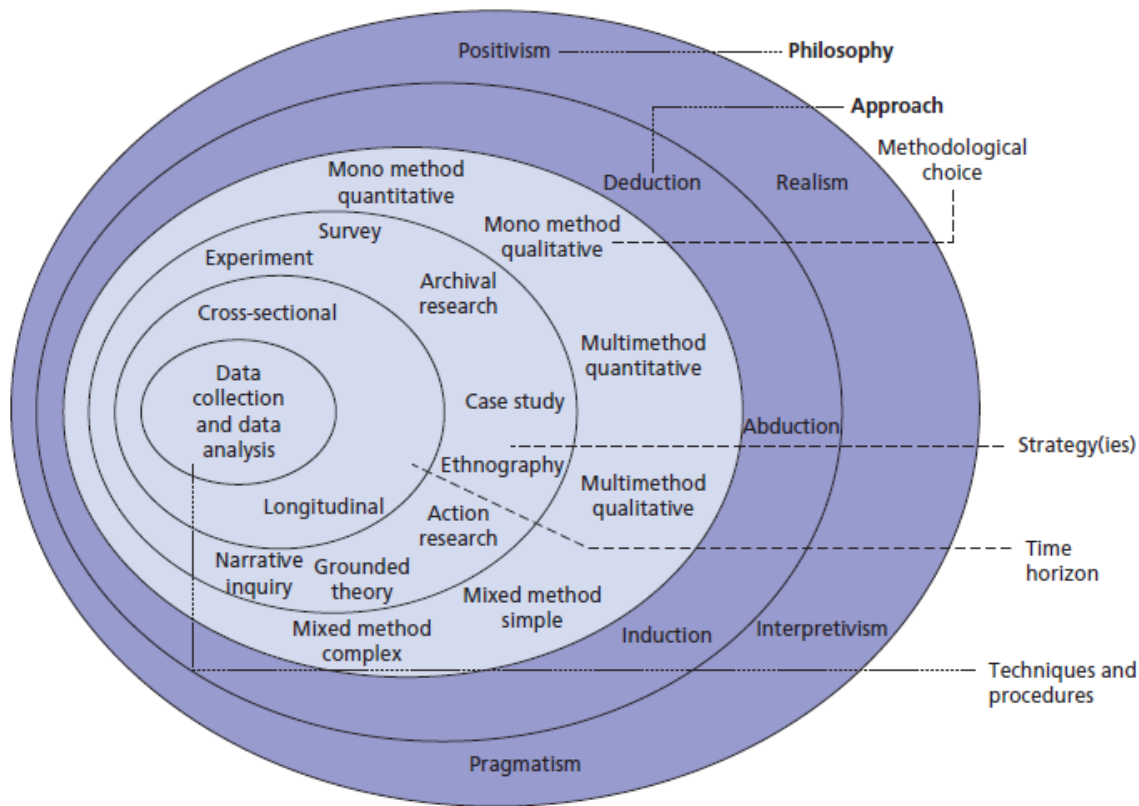


Figure 3.1: Research Philosophies

Adapted from Bryman (2010)

There are various layers in Figure 3.1, outer layer- represents the macro picture of the paradigms; the second outer layer-denotes the processes involved in each research paradigm; third outer layer is the progression to the research approaches informed by each research paradigm; the different research strategies are shown in the next layer before the layer illustrating the different survey types. The inner layer shows data collection and data analysis. Efforts have been made to establish

the relationships between other concepts or pieces of the puzzle. Literature stipulates that critical realism lie between Interpretivism and positivism (Creswell, 2010:32).

The research topic was designed, and corresponding open-ended research questions were developed, resulting in the adoption of an interpretivist paradigm. When the research questions were developed, the epistemological stance was to immerse the researcher with subjects under investigation; thus, subjectivism informed the interpretivist epistemology. Subjectivism allows interactions between subjects and the researcher. Literature suggests that when using the interpretivist paradigm, the researcher might not know in advance what the researcher might be looking for (Chigada, 2014:121). Ngulube (2010:141) posits that researchers become the main data-gathering instruments when an interpretivist paradigm is adopted. Data is usually in the form of words, pictures or objects (Chigada, 2017:4). It became apparent that an interpretivist worldview informed this study resulting in the adoption of a qualitative research strategy, which is discussed in subsequent sections of this chapter. A researcher who uses this philosophy engages the respondents about their experiences (Thanh and Thanh, 2015:25).

Furthermore, interpretivist uses an inclusive approach, which accepts multiple views from diverse individuals. Del Rosaria and Goh (2007:4), also posit that researchers who adopt this paradigm acknowledge that rich insights in a complex world cannot be generalised particularly when the researched areas have unique and varied individual circumstances. The factors that affect ICT SMMEs were complex and unique to each entrepreneur; however, this approach collected such rich data and generated insightful information.

3.3 Research Design

Van Wyk (2012:173) defines research design as a structure or plan which puts and holds together different concepts of research methods. This coherent structure is utilised by researchers to collect, analyse and interpret data. Literature suggests that various research designs exist, but it is the prerogative of the researcher to choose an appropriate research design that will guide the research process (Ngulube, 2014:47). While it is the prerogative of the researcher to select the research design, the research philosophy informs the appropriate research design. There should be a seamless flow from the research topic, paradigm and design to the last process in the research plan. While Saunders *et al.* (2012:175) classify research designs as causal-comparative which helps

determine the cause and effects between two variables when independent variables cannot be examined in controlled experiments, causal-comparative research designs are found most suitable. Correlational designs are often conflated to mean causation, yet, the two designs are different. When two variables or events follow one another, it is best to determine the relationship using correlation (van Wyk, 2012:175). In many instances, the relationships/links between two events might be coincidental rather than causal. Figure 3.2 will be used to discuss the various research designs available to researchers.

Researchers can use explanatory designs when identifying the links between variables relating to the research (Ngulube, 2014:7). Explanatory designs are preferred because they offer more structured approaches and processes. In quantitative research projects, researchers use structured methods; therefore, explanatory designs would add significant value to the study (Bryman, 2010:129). Descriptive designs can be used in both qualitative and quantitative research projects because they provide an accurate and valid representation of variables that relate to research questions. Also, descriptive designs are structured (van Wyk, 2012:174). Lastly, exploratory designs form the other category of research designs. This study used a descriptive design to explore the barriers that affect the long-term survival of ICT SMMEs. Descriptive research can be either quantitative or qualitative. The central focus of this research approach was to give a precise and legitimate portrayal of the variables or factors that are important to the research questions (van Wyk, 2012).

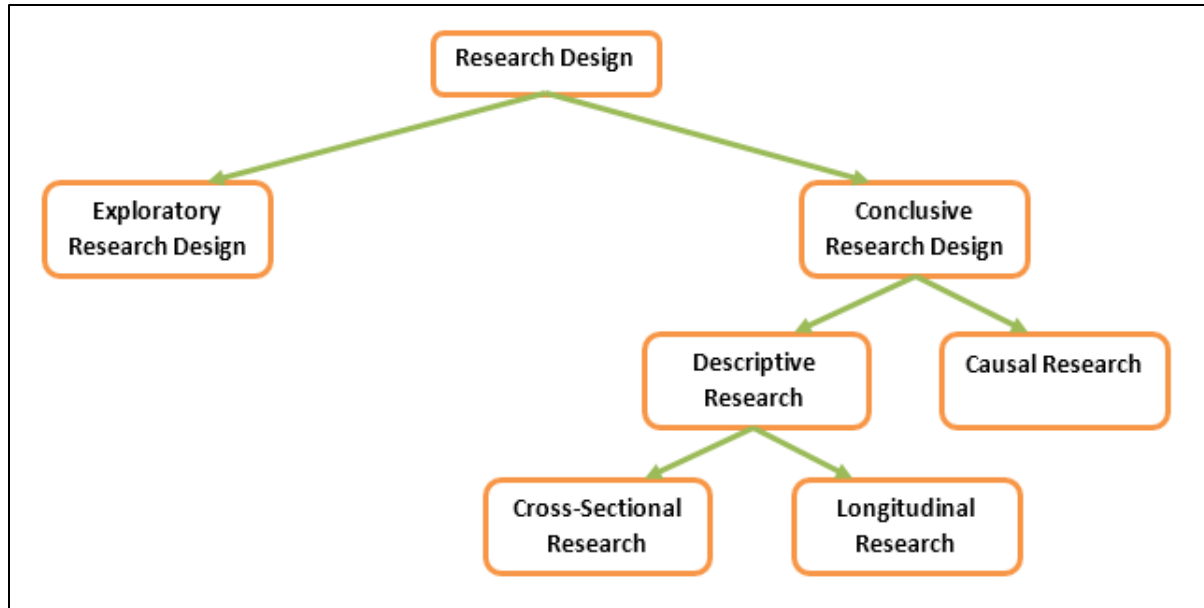


Figure 3.2: Research Designs

Source: Adapted from Saunders *et al.* (2012)

All data for this study was collected from ICT SMMEs operating in the Vhembe District Council in Limpopo Province. The researcher developed the interest to explore about the ICT SMMEs of this area, given her work interactions with some emerging entrepreneurs. Literature posits that, when the findings provide solutions, the value addition of the study cannot be underestimated (Creswell, 2010:49). Respondents expressed opinions in their own words, allowing opportunities for probing questions.

3.4 Research Methodology

When the methodologies are combined in one study (pragmatic approach), the result is multi-methods research (MMR). The two research methodologies are quantitative and qualitative. In Table 3.1 below, the application of either of the approaches is presented. Detailed discussions and motivation for qualitative over quantitative are presented later in this section.

Table 3.1: Quantitative and Qualitative Research

Quantitative	Qualitative
Based on confirming or disproving theory	Based on developing theory
Features are classified, counted and statistical models constructed to explain what was observed	A complete and detailed description of the study
The researcher knows in advance what he/she is looking for.	The researcher may not know in advance what he/she is looking for
Structured approach to data collection	Unstructured approach
Use of questionnaires, surveys or experiments to collect numerical data	Researcher is the data gathering instrument. Data is in the form of pictures, words or objects
Though quantitative research is more efficient by testing hypotheses, one may miss contextual detail	Use of participative observation and in-depth interviews
The researcher remains objectively separated from the subject matter	Researcher is subjectively immersed in the subject matter

Source: Simmonds-Mkhize (2015)

3.4.1 Quantitative research

One of the two widely used research methodologies is the quantitative approach. Quantitative research approaches are in the continuum of positivist paradigms (Ngulube, 2010:123). An objectivism epistemological stance informs positivist paradigms; thus, the researcher does not directly interact or engage subjects under investigation. Chigada (2014:121) states that the objective of using quantitative research approaches is to collect data from a large sample of participants who are geographically dispersed. For example, collecting data from sample elements in a province, city between provinces or countries require surveys or questionnaires. When collecting quantitative data, respondents are given a set of options to choose from. Likert type Scales are used where respondents choose appropriate choices that represent their viewpoints. Quantitative research approaches are ideal for testing theory or proving or disproving what is already known (Chigada, 2014:112). Aliaga and Gunderson (2009:47) posit that data collected in quantitative research will be analysed, interpreted and presented in a statistical or mathematical format in graphs or tables. The interpretation is expressed in words to support the numerical representations. Literature suggests that quantitative approaches are more structured compared to qualitative research methodologies (Leedy and Omrod, 2010:219). The research topic was inclined

towards an exploratory study; therefore, an interpretivist research paradigm was decided and adopted for the study. As soon as the research paradigm had been identified, it became imperative to use complementary research methodologies and strategies that ensured the successful completion of the research project. In this study, the objective was to explore what was not known; therefore, the quantitative approach was not adopted.

3.4.2 *Qualitative research*

In this study, the qualitative research approach was used. Saunders, Lewis and Thornhill (2012:175) state that a subjective epistemological stance influences the adoption of a qualitative research approach. Qualitative research approaches are used to build theory and generate new knowledge. When collecting qualitative data, face-to-face interviews, observation, document analysis are common techniques used in exploratory studies (Saunders, Lewis and Thornhill, 2012:175). In the study, there was no theory testing or need to disprove or prove what was already known, but to build new concepts regarding the viability of the ICT SMMEs. Open-ended questions were used to collect data from respondents; thus, the interview process created engaging platforms where personal experiences were shared. Feelings and opinions were expressed in the respondents' own words without restrictions (Leedy and Omrod, 2010:218). When collecting data, the researcher was immersed with the subjects under investigation as pointed out by Ngulube, Romm and Mathipha (2014:12) who state that subjectivism epistemological stances compel the researcher to engage and be immersed with respondents to collect rich sets of data.

The adoption of the qualitative research approach was attributable to the research topic, research questions and the research paradigm that were formulated and adopted when the research plan was developed. Open-ended questions are ideal when the research problem is not understood, and there is a high degree of uncertainty and ignorance (van Wyk, 2012:32), as was the case in this study. The research problem and solutions lied in some boundaries that had to be determined before conducting the study; therefore, it was possible in a qualitative research approach complemented by exploratory research design. Concerning earlier discussions regarding the epistemological stance of this study, subjectivism informed the interpretivist, which in turn informed the qualitative research approach. There is a relationship that had to be maintained right from the onset of topic formulation until the data was collected. Infusion of a different research approach would have

altered the plan and course of action; thus, a high probability of failure to complete the study would have occurred.

3.5 Research Strategy

Stangor (2011:110) defines a research strategy as a series of steps or plan of action that gives and guides the researcher a direction during the study, resulting in a systematic approach that produces high-quality results and detailed reporting. Saunders *et al.* (2012:243) state that research strategies include: experiments: scientific procedures that are undertaken to prove or disprove what is already known or make a discovery. Experiments are conducted in laboratories in controlled environments. Bryman and Bell (2010:321) state that surveys are some of the most common research strategies applied in social research. Surveys also encompass measurement procedures that involve asking questions. Different surveys include questionnaires, interviews, cross-sectional and longitudinal surveys. Each of these surveys applies to specific studies and situations (van Wyk, 2012:178).

Other research strategies include ethnography, action research, grounded theory and case studies. Leedy and Omrod (2010:179) define ethnography as the study or scientific description of people's cultures. In an ethnography study, the focus is to explore/observe society's behaviours, habits and mutual differences. Action research entails studying activity or occupation to improve the methods and approach of subjects involved (Leedy and Omrod, 2010:179). Grounded theory research combines paradigms with a pragmatic theory of action, while case studies allow a combination of quantitative and qualitative data collection techniques in one study. In the present study, multiple cases or ICT SMMEs companies were used to collect and contextualize the findings to a natural setting. Yin (2009:12) states that case studies are appropriate strategies when conducting exploratory studies because data can be collected within a short space of time, whereas, other strategies require more time. This study was premised on Vhembe District Municipality; therefore, it was imperative to collect data within a short space of time. In addition, the case study helped to conduct an in-depth research of the prevailing situation as well as its related contextual conditions. Yin (2009:23) further points out that case studies are empirical enquiries that explore phenomena within their real-life context, especially when the boundaries of the phenomena are not evident and where there are also multiple sources of evidence are used. It is acknowledged that the six research strategies discussed in this section cannot be regarded or thought of as discrete entities, but these

strategies can be combined in the same research project. Concerning the current study, the case study was adopted and applied.

3.6 Target Population

Collins and Hussey (2009:62) define a population as a group of people or objects from where data is collected. Saunders *et al.* (2012:238) state that a population is the total number of all inhabitants of a place. Ngulube, Romm and Mathipa (2014:47) define a population as a group of individuals sharing the same characteristics, behaviours and way of doing things but occupying a particular geographic area. Marsden and Wright (2010) describe the target population as the set of elements that the researcher aims to explore. The definition by Ngulube *et al.* (2014:47) succinctly fits into the context of this study. The population of interest will be ICT SMMEs start-ups within Vhembe District Municipality. Ten (10) people comprised the population for the study. These people possessed relevant data, information, knowledge and made strategic decisions in their firms; therefore, they were targeted to help address the management problem at hand.

For this phenomenological study, a smaller sample was considered because the literature states that collecting data through face-to-face interviews is time-consuming and requires novice researchers (Creswell, 2012:45). Therefore, the sample size should be small and manageable. Creswell (2012:45) suggests a sample of between 6 and 10 participants, while Bryman and Bell (2010) propose between 8 and 12 participants. Ngulube *et al.* (2014:49) suggest between 6 and 15 participants.

3.7 Sampling

Creswell (2014:32) defines sampling as the process of selecting elements from a population of interest. The two sampling strategies are probability and non-probability sampling (Creswell, 2010) as illustrated in Figure 3.3 below. Sample members have a known and equal chance of inclusion in the study when probability sampling was used, while, there was no known chance of inclusion in non-probability sampling (Leedy and Omrod, 2010:175). Chigada (2014:125) states that the lottery system is a computer program that generates random unique numbers, is run and randomly selects numbers. Each selected unique number depicts a selected sample element. The lottery system randomly selects sample members without human involvement; thus, this sampling

technique mitigates bias associated with most non-probability sampling techniques. Other probability sampling techniques are stratified, systematic, which possess a randomisation element (Bryman and Bell, 2010: 298). Regarding cluster sampling, population elements are clustered and randomly selected.

Classification of Sampling Techniques

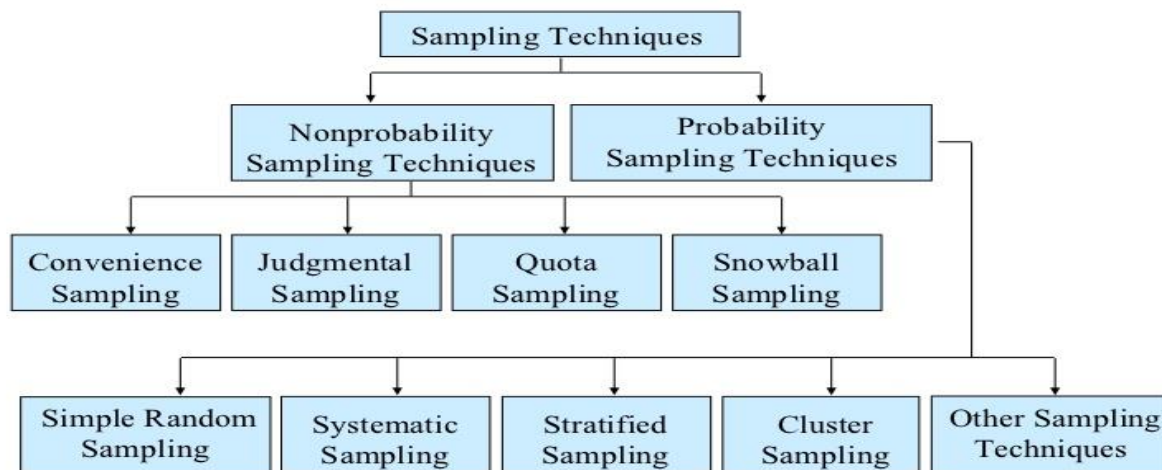


Figure 3.3: Sampling Techniques

Adapted from Saunders (2009)

Concerning non-probability sampling, there is a human intervention where sample members are selected based on meeting some criterion participants (Leedy and Omrod, 2010:218). Essential non-probability sampling techniques include judgmental sampling where one's judgement is used to determine participants for the study; non-probability convenience sampling envisages selection of sample members readily available and accessible when the study was being carried out. The participants will have to be available, accessible and willing to participate in the study; non-probability quota sampling entails pre-setting criteria such as age, experience, qualifications, gender or title. Population members satisfying those criteria are then selected (Saunders *et al.*, 2012:201). Non-probability purposive sampling requires the researcher to select members possessing data relevant to the study. Though non-probability sampling strategies do not produce representative samples, the selected members were key decision-makers, policymakers, possessed

vast experiences and knowledge managing their companies, therefore, they had relevant facts required in this study (Chigada, 2014:112).

In this instance, the non-probability snowballing sampling technique was used to select members for the study because the population was unknown to the researcher. The sample members were selected from the 30 people (population group) so that by studying the sample, it was easier to generalize the findings back to the population. Regarding the varying suggestions, a sample of ten participants was selected. Vhembe District Municipality has three towns, namely Makhado, Malamulele, and Thohoyandou. Trying to find respondents from all these three towns required enormous resources. As a result, the researcher preferred a snowball sampling strategy. In snowball sampling, the researcher identified few respondents who matched the criterion for inclusion in the study and thereafter asked them to recommend others they knew who also met the set criterion (Bhattacharjee, 2012).

3.8 Research Instrument and Data Collection

Generally, there are numerous approaches to acquire data and interviews are among others. Interviews may be classified as structured, semi-structured or in-depth (Rosario and Goh, 2008). Structured interviews utilise questionnaires containing a set of uniform questions. The researcher used both semi-structured interview and in-depth interviews. Meanwhile, in a semi-structured interview, a list of questions and themes may be covered based on the progress of the discussion (Rosario and Goh, 2008). In-depth interviews are designed to discover underlying motives and desires (Kothari, 2004). Since the researcher intended to explore the needs, desires, and feeling of respondents concerning the survival of their ICT SMMEs, in-depth interviews were used. The instruments to capture the data were notes and voice recorder during the interviews. Nastasi and Schensul (2005) state that the duration of in-depth interviews should be 20-40 minutes. The interview guide comprised the biographic data and the actual research questions. The biographic section collected data relating to gender, position/title, and years in the company. This information was useful to determine if the study was fairly conducted by involving relevant participants. The open-ended questions enabled respondents to answer research questions in their own words. Open-ended questions allow engagements and probing questions for clarity. Company and industry reports were consulted to understand the operations and activities in the industry. Information from

the reports was used to support or argue the feedback provided during the interviews. A total of 19 questions were developed into an interview guide as shown in Annexure D.

Semi-structured interviews were conducted to address the above research questions. The advantages of using semi-structured interviews were: it was feasible to collect data associated with respondents' personal experiences, attitudes, behaviours and understanding of events surrounding them; respondents provided answers in their own words without restrictions, and thirdly, it was possible to ask probing questions (Matthews and Ross, 2010:221). Semi-structured interviews also allow one to observe body language and identify sensitive questions. The main drawback of semi-structured interviews is the time it takes to complete one interview session. Each interview session was scheduled to last 40 minutes, but, in most cases, there were longer because of probing questions that arose.

3.9 Pilot study

Literature suggests that it is vital to carry out a pilot or small scale study before the main study as a form of fine-tuning the research instrument (Chigada, 2014:111). Stangor (2011:121) posits that pilot studies are imperative before main research because it is the only platform where researchers can get constructive criticism on the research instrument. A small-scale study was, therefore, undertaken to ascertain the plausibility and trustworthiness of the research instrument. Chigada (2014:121) defines a pilot study as a quality control study designed to get first-hand information regarding the quality of the research instrument. In the pilot study, two respondents were selected to participate in the study.

Creswell (2012:34) states that a pilot study helps uncover ambiguities and other errors in the research instrument, creating an opportunity to fine-tune the final research instrument. Respondents were able to provide feedback regarding the clarity of the research questions. For example, in the second section of the interview guide, there were five questions, where question one and three were similar in context. The recommendation was to rework the questions into one. If questions were unclear, contained grammatical and typographical errors, these issues were identified during the pilot study. Both respondents indicated the need for editing and formatting of the questions. There were lots of grammatical and syntax errors which distorted the meanings of

the questions; thus, some confusion could easily arise. The pilot study helped determine if the research instrument measured what it was designed to measure.

Respondents were able to tell if the research questions captured fundamental issues that helped address the research problem at hand. From the responses provided, it was established that the research instrument measured what it was designed to measure. If there are missing questions, or there are irrelevant questions, the pilot study helped uncover anomalies. Feedback from the pilot study was used to develop the final research instrument. The two participants for the pilot study were advised of the outcome and appreciated for participating in the study. The participants were also politely informed that they would not participate in the final study to mitigate duplication of responses.

3.10 Data analysis

Literature defines data analysis as adding meaning to raw facts so that appropriate decisions can be made (Braun and Clarke, 2006:76). Ngulube (2014:5) defines data analysis as the process of transforming facts into usable information so that decisions are made to solve a management problem. The online Oxford Dictionary (2017) defines data analysis as the process of adding meaning to data so that informed decisions can be made. Chigada (2017:6) defines data analysis as the process of cleaning data, making it ready for computation to produce meaning (information) so that an appropriate decision can be made. It is no use collecting data over a certain period, using valuable resources, but then fail to act on that data to solve a management problem. Therefore, data analysis is designed to uncover and understand the big picture. Data analysis entails labelling and coding of data to recognize similarities and differences (Braun and Clarke, 2006:97). The Nvivo 11, a qualitative data analysis program, was used to capture and analyse interview transcriptions. Emerging themes were coded and analysed through thematic Data Analysis (TDA). TDA allowed the researcher to pinpoint, examine and record patterns within data sets.

Braun and Clarke (2006:38) state that thematic data analysis is the ideal approach when analysing qualitative data because qualitative data cannot be analysed statistically. Data collected from a company and industry reports were analysed through thematic analysis. The thematic analysis helped determine patterns of recurring words (Yin, 2014:34). The thematic analysis provided the

means to determine the occurrence of specific concepts from the interviews and allow for the meaning of such concepts to be inferred (Rowley, 2002).

3.11 Trustworthiness

The ability of a research instrument to perform consistently producing the same results in different settings but under the same conditions is referred to as reliability of the instrument (Yin, 2009:43). If the instrument is not reliable, the findings from the study might be questionable, resulting in civil lawsuits and discrediting from other scholars or stakeholders interested in the study (Yin, 2009:43). Various steps were conducted to ensure that the research instrument was trustworthy, and these included:

3.11.1 Credibility

The Online Dictionary (2017) defines credibility as the verification of a research instrument. To verify the research instrument, a pilot study was conducted before the main study. The objective was to perform quality control and quality assurance. Respondents provided their feedback and suggestions that were incorporated into the study. The pilot study provided a platform for constructive criticism of the research instrument. Creswell (2012:32) suggests the use of other researchers or independent analysts to verify the trustworthiness of findings before releasing the results to the public.

3.11.2 Transferability

Moving from one person to the other or from one location to another and performing consistently under similar conditions denotes the degree of transferability of the research instrument (Creswell, 2014:32). Also, the findings from one study should be generalizable to other settings. By conducting a pilot study, the objective was to determine if the research instrument could be used in different settings or places under similar conditions. Though the research instrument was designed for ICT SMMEs in Vhembe District Municipality, there was a high probability that it applied to other settings. Creswell (2013) also concedes that ensuring transferability is impossible; however, the researcher should thoroughly describe the adopted process so that others could also replicate. In this case, Shenton (2004) suggest a provision of sufficient contextual information about the fieldwork site for another researcher to make a transfer.

3.11.3 Dependability

Saunders *et al.* (2012:382) state that it is essential to keep track/ 'audit-trail' of all documentation and processes in the study. Saunders (2009:219) defines dependability as the quality of being relied upon. The records and audit trails should be up-to-date, contain accurate information which can be referenced in future. For example, mistakes made are good lessons that should be recorded to mitigate potential future mistakes. In as much as mistakes are recorded, successes, decisions made and any strategies have taken should be recorded and kept in a safe for a period longer than five years (Saunders *et al.*, 2012:382). The flexible nature of qualitative research is such that replicating the results becomes impossible; thus, a comprehensive record of the process is necessary to enable others to ascertain the level of dependability (Creswell, 2013). In this study, the detailed records in the data collection process were provided in the final report, including the dates in which the researcher collected the data.

3.11.4 Confirmability

Literature defines confirmability as the process of thoroughly checking for accuracy (Leedy and Omrod, 2010:287). Shenton (2004) state that confirmability is the extent of eliminating the bias of the researcher and thus allowing participants to respond based on their experiences and ideas. Furthermore, the role of triangulation to promote confirmability is essential. Also, Creswell (2013) suggest that a detailed research process should be provided to guide other researchers to follow it identically to compare the results. It was imperative to confirm and verify data accuracy with respondents before releasing the findings. Independent analysts were politely asked to audit or recheck the findings before the release of the same. Independent opinions provided different perspectives and interpretations which helped solidify the findings.

3.12 Elimination of Bias

This study aimed to evaluate factors contributing to the collapse of ICT SMMEs in the Vhembe District Municipality. That aim could have been easily obliterated if respondents were allowed to provide answers in their vernacular languages. For example, one executive requested that “Since the researcher is a black African, the researcher should be conversant in many South African languages. There was no need to use the English Language”. The request was politely refused, and

the participant was offended and did not partake in the study. Allowing participants to dictate the pace of interviews is a recipe for bias; therefore, the researcher was firm that all interviews be conducted in English as the official business communication language. Using vernacular language would have provided opportunities for misinterpretation, and incorrect responses would have been provided, thus, defeating the purpose of the interviews. Additionally, topics unrelated to the issues under discussion were avoided and not entertained to prevent scope creep. Discussing irrelevant subject matters easily deviates the conversations. Leading questions were avoided from the onset. The pilot study was a beneficial quality assurance process because constructive criticism helped fine-tune the interviewing process and approach.

3.13 Ethical considerations

Ethical considerations imply the application of moral rules and professional codes of conduct to the collection, analysis, reporting, and publication of information about research subjects, in particular active acceptance of subjects' right to privacy, confidentiality, and informed consent (Leedy, 2010). This research considered four ethical considerations as defined in the following sub-paragraphs.

3.13.1 Ensuring no harm to participants

Cozby and Bates (2012:23) define harm as both emotional and physical injury suffered by a person. Emotional damage might be caused by asking sensitive questions which may evoke emotions; therefore, a pilot study was conducted to ensure that all sensitive questions are removed before conducting the interviews. Physical harm might include exposing respondents to unhealthy interview conditions which might injure or inflict injuries to them. Interviews were conducted at participants' offices to mitigate travel and punctuality challenges.

3.13.2 Informed consent of participants

Bryman and Bell (2010:278) define informed consent as the right granted by one to partake in a study or use one's information. Informed consent is a permission that a research participant gives to participate in the study after been given sufficient information about the goals and objectives of the study (Gravetter and Forzano, 2012). Before conducting interviews, the participants were

approached and requested for their willingness to partake in the study. Consent was granted verbally and telephonically.

3.13.3 Confidentiality

Ngulube and Mathipha (2014:101) state that failure to protect participants' personal information can lead to lawsuits. Confidentiality is about keeping information obtained from the participants strictly confidential. Therefore, researchers needed to assure participants that their personal information will be kept safe. In this study, participants' personal information was used solely for research purposes, was not be shared with any third parties and was also kept in a safe for five years before being destroyed or incinerated.

3.13.4 Authorisation

Before conducting research, permission was granted by the University of Kwa-Zulu Natal as well as companies that participated in this study. Various Company Executives approached to participate in this study, granted permission.

3.14 Summary

In conclusion, this chapter discussed the research plan that was adopted to collect, analyses and discuss research data. The importance of this chapter cannot be over-emphasized because readers are more interested in finding out how the research was conducted to arrive at certain findings. From the onset, the research topic and research questions were highlighted as the main starting points from which a research action plan is developed. The research philosophy for the study was in the realm of Interpretivist which informed the adoption of a qualitative research methodology. The research plan is depicted in Figure 3.1. In the next chapter, the research findings are discussed and presented.

CHAPTER 4: DATA PRESENTATION

4.1 Introduction

The preceding chapter presented a detailed research plan that was followed in this study. The researcher indicated that an interpretivist research paradigm was adopted and used in the study. A qualitative mono-method was used to gather data from participants through face-to-face interviews. In this chapter, the focus is to present, interpret and discuss the research findings. The structure of the chapter will commence with a presentation of the demographics of respondents, followed by themes that emerged. Each theme is discussed concerning research objectives and with constant reference to literature. In some instances, responses are captured verbatim. The chapter is concluded.

4.2 Demographics of Respondents

As pointed out in chapter three of this study, 10 sample elements were selected and interviewed for this study. Sample elements were not identified in this study; therefore, pseudonyms were used in the form of alphabetical letters (A-J). The demographics of the respondents were as follows:

4.2.1 Gender distribution

Figure 4.1 illustrate that of the participants who participated in this study had 60% of males meanwhile females were represented by 40%. The researcher observed that men ran most of the small-to-medium ICT businesses in the Vhembe District Municipality. A few isolated business ventures were owned by women. The reason for this discrepancy was beyond the scope of this study.

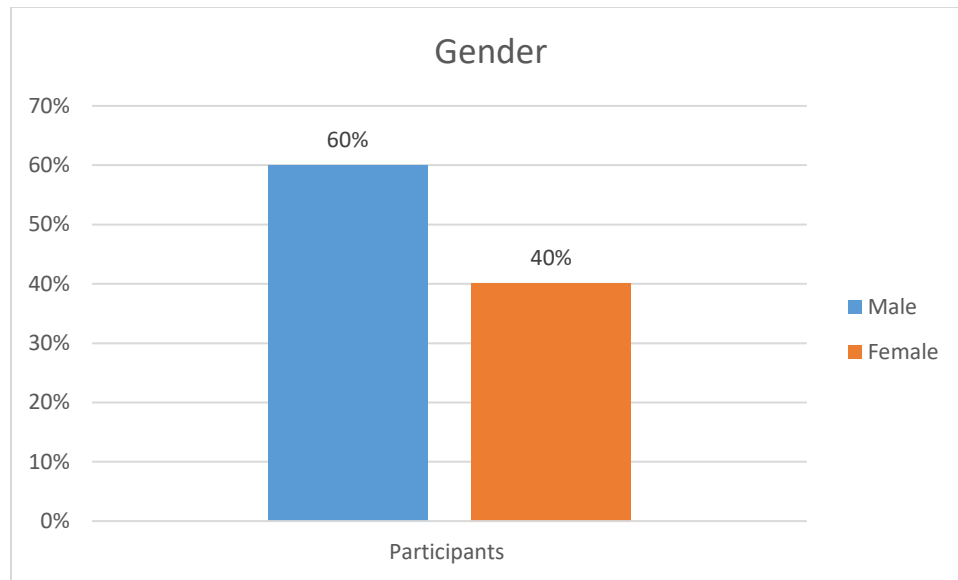


Figure 4.1: Gender Distribution (Source: Survey data)

4.2.2 Number of employees per ICT SMME

The second major factor considered in this study was the number of employees in each of the ICT business ventures. Three (3) ICT ventures employed between 0-2 people (Table 4.2). It was apparent from the engagement with the respondents that part of the reasons they have employed fewer employees was due to the period of business existence and perhaps the level of income generated. In other ICT SMMEs, it was evident that the more years in existence, the more likely the business employed more employees than those SMMEs, which have only existed for a few years. Five of the respondents indicated that their companies thus far have in its employment about 3-20 people, while two respondents indicated that their business employed between 21-50 employees. The findings revealed that these business ventures were relatively newly established, with less than five years of trading. The two ICT businesses employing more than 21 employees were facing stiff competition from the start-ups as pointed out during the interviews.

Table 4.1: Employees per ICT SME

Number of ICT ventures	Number of employees	Years of existence
3	0-2	>1 year
5	3-20	>5 years
2	21-50	>5 years

(Source: Survey data)

4.2.3 Number Years of trading

Regarding the number of employees, it was clear that ICT businesses with fewer employees were recently established. The three ICT businesses with less than three employees had been trading for less than one year, while the five ICT businesses had been trading for between 2-3 years and had a fair amount of knowledge of the business (Table 4.2). The two ICT business ventures employing between 21-50 employees had been trading for four years and above. These business ventures were well established and had made inroads in providing ICT services and support to other small businesses, individuals and Vhembe District Municipality.

Table 4.2: Years of trading

Number of ICT Ventures	Number of employees	Years of trading
3	0-2	Less than one year
5	3-20	2-3 years
2	21-50	4 years and above

(Source: Survey data)

4.2.4 Level of Education

One key issue that contributes to the success or failure of entrepreneurial ventures is the level of education of the proprietors. Acknowledging the lack of education as a factor, Bradshaw and Carrington (2009) indicate that education among business people enables them to grasp the disequilibrium in the economy when compared to someone who has no business education. The essence in the latter assertion is that entrepreneurs require business education to develop business etiquette suitable to survive the unpredictable contemporary environment. In this study, of the 10 respondents, three indicated that they had matric and a TVET qualification in electronics and electrical engineering (Table 4.3). In comparison, five respondents indicated that they possessed national diplomas in computer and business studies. In terms of the final two respondents stated that one has a bachelor degree, and meanwhile, the other one has an Honours degree. From the feedback, the study established that ICT entrepreneurs were educated and knowledgeable to start and run their businesses. The respondents articulated and responded articulately during the interviews. This made the interview process manageable because the researcher did not repeat or explain the questions.

Table 4.3: Level of education

Number of ICT Entrepreneurs	Level of Education
3	Matric and TVET qualification
5	National Diploma
1	Bachelor degree

1	Honours degree
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(Source: Survey data)

4.2.5 ICT SMME's turnover

The researcher was interested in finding out the turnover churned by these business ventures. Four participants indicated that they were making between R10, 000 and R49, 999 per month gross turnover, while 3 participants stated that their turnover was in the region of R50, 000- R149, 000 (Table 4.4). The last three participants indicated that their turnover was more than R250, 000. Turnover could be a measure of the size and number of years of trading for the business venture. Businesses that have been operating for longer than 2 years were more likely to be better established, with stable and loyal clientele and revenue.

Table 4.4: ICT SMME's turnover

Number of ICT Entrepreneurs	ICT SME's Turnover
4	R10 000 – R49 999 per month
3	R50 000 – R149 000 per month
3	More than R250 000

(Source: Survey data)

The presentation of the emerging themes is illustrated in Figure 4.2, the authors' thematic analysis.

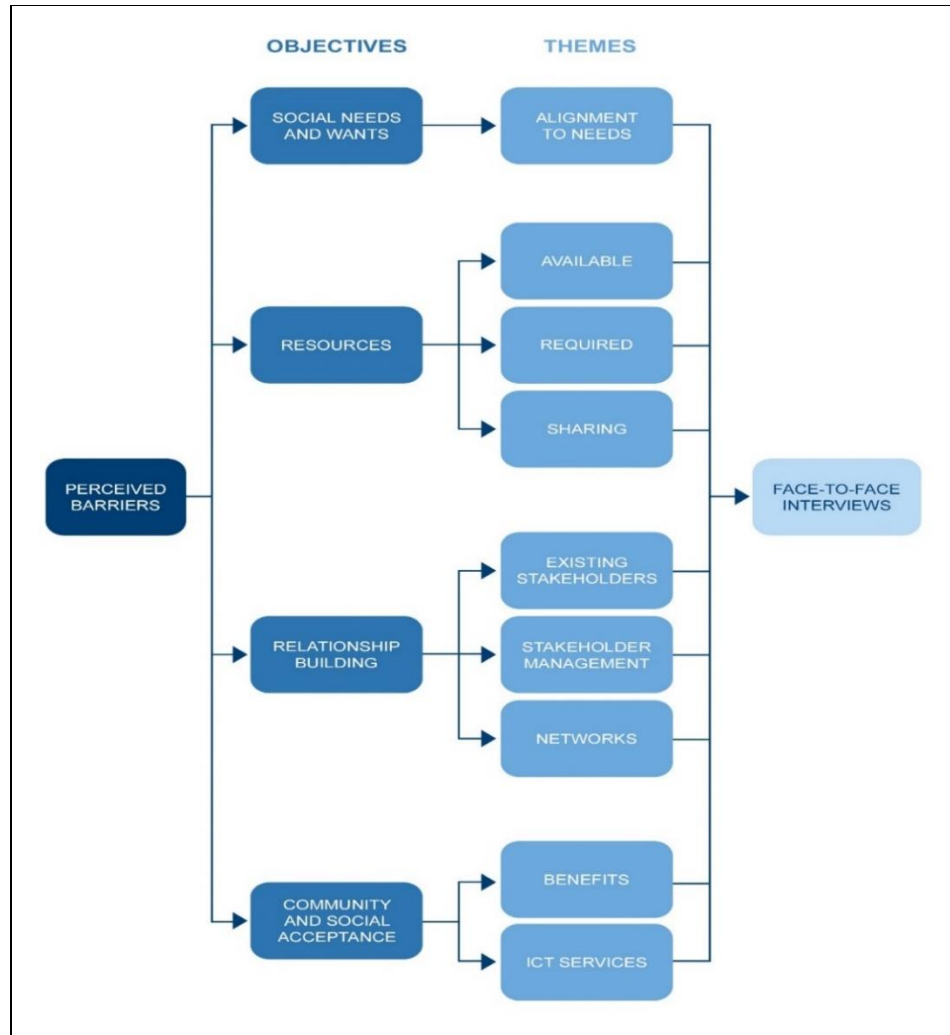


Figure 4.2: Thematic analysis

Source: Author's own (2020)

4.3 Resources available to support ICT SMMEs

In this question, the study sought to establish the resources that were available to support the ICT SMMEs, what resources were required by the business ventures and if these businesses were able to share the resources with other businesses. Three themes emerged from this question, and these were:

Theme 1: Available resources to Support SMMEs

Various responses were provided during the interviews. In this study, the key issues from respondents were captured. Some responses were:

There are business training workshops conducted by the municipality, but this is not enough for our needs (Participant A)

The municipality has allocated buildings for SMMEs, but with the number of different business ventures, these offices are not adequate. Many businesses are sharing office space, which exposes our trade secrets unless we are complementary partners [Participant C]

There was funding when I started my business, but that has since stopped because there are many business ventures, and some are not doing well. Which makes it impossible to repay the loans [Participant G].

We have business mentors who come around, but it seems they are developing cold feet these days [Participant J].

The extracts above represent the overall consensus of all ten participants. The views by participant C, indicate that the Vhembe District Municipality (VDM) has allocated buildings or office space to operate from. This is in line with the views by Hiralal (2010) who states that there is a series of municipal by-laws that have been enacted to prevent street trading. The support of the municipality is applauded because it synthesizes the idea that small businesses should be supported.

Theme 2: Resources required to run the SMMEs

The second theme sought to establish the resources required by SMMEs. The respondents stated that:

I need stock such as hardware, software for my business to function well [Participant A]

Office space is scarce here. If the municipality would make provisions, then our businesses will operate efficiently [Participant B]

Funding is imperative for start-up ventures [Participant C]

I need tools for my repair workshop [Participant D]

Information from the municipality will help us to showcase or tender for computing services.

The municipality does not make this information available to us [Participant G]

Concerning the responses provided, key issues that emerged were stock, office space, funding, tools and information. Businesses function if there are adequate financial resources to buy stock and pay for all operating expenses, including rentals. The concerns raised by participants are genuine; however, banks and other credit providers might not be keen to advance credit to businesses without trading history or clear business plans.

Theme 3: Sharing of resources with other businesses

In this theme, participants were asked to indicate if they shared some resources with other businesses. Interestingly these responses were provided:

It is difficult to share resources because, in the first place, there are no resources to share [Participant B]

We can share office space, but it is a risk if the other business is also a competitor. It means my business ideas can easily be copied and stolen, exposing my business [Participant C]

We sometimes share information and business ideas, but it is limited because of fear of exposing strategies to competitors [Participant D]

The resources we used to get from the municipality were inadequate, thus, we could not share with other businesses [Participant F]

We only share offices, and this compromises our activities, especially when we are in the same line of business [Participant H]

The responses demonstrated that the business ventures were not comfortable sharing offices, especially with businesses in the same trade. This compromised their business strategies, and, in the end, competitors could steal the other's ideas. One participant indicated that sharing of

information and business ideas was limited for fear of exposing one's strategies. Overall, there were no resources to share other than office space.

4.4 Relationship building with stakeholders

The second question sought to establish how SMMEs built relationships with various stakeholders. This was imperative in the study because businesses are operating in environments where customers, suppliers, competitors and government support or stifle the business initiatives. Taking cognizance of stakeholders helps businesses to develop appropriate stakeholder management systems. Three themes emerged from this question, and these were:

Theme 1: Existing stakeholders in Vhembe District Municipality

Participants were asked to indicate their stakeholders and the following feedback was provided:

The municipality, customers and suppliers of computing technology [Participant C]

Suppliers, customers, municipality, fellow tenants in the building I operate from, competitors in town [Participant E]

My family, customers, suppliers, competitors, Vhembe District Municipality and community [Participant J]

Responses from the three participants represent the consensus from all the ten participants. Suppliers, customers, competitors, the municipality, and the community were the major stakeholders for the SMMEs. Suppliers of computing technology and other stock are important in the supply chain management system and operations of the business. Business ventures require the stock to remain viable. Customers, on the other hand, bring business transaction through the purchasing of products and services.

Theme 2: A stakeholder management approach

This theme is highly influenced by theme 1 above. Participants provided different answers regarding their stakeholder management approaches:

I sent out emails frequently to our suppliers and customers [Participant A]

I hold periodic meetings with my suppliers and customers [Participant B]

As competing for start-up businesses, we sometimes hold meetings to appraise each other of challenges, legislation or any business-related issues [Participant C]

I don't have any specific programs that I follow [Participant D]

Established businesses do not usually accept new start-ups for fear of competition [Participant E]

We maintain our relationships through constant interactions with our stakeholders [Participant F]

I have not established a formal stakeholder management program, but everything happens spontaneously [Participant G]

As the owner of the business, it is my responsibility to maintain good customer relationship management [Participant H]

I have employed a marketing manager who takes care of all our marketing activities, programs including relationship management [Participant I]

Over the years, we have held meetings, workshops with various stakeholder [Participant J]

It is evident from the above extracts that none of the ICT SMMEs has a clearly defined stakeholder management program in place. One would have expected to hear from the established players to have an adequately administered stakeholder management. Coincidentally, Participant, I have employed a marketing manager to take care of all marketing and stakeholder management responsibilities.

Theme 3: Network associations in the municipality

Participants were asked to demonstrate if they belonged to any business network or association. Their responses were:

As you are aware that Vhembe District Municipality is a very small municipality with little business activities, so there are no business networks [Participant A]

There are no ICT business network associations in the area [Participant C]

We are trying to establish our ICT network association [Participant D]

I manage my relationships with stakeholders to convince them to support us with resources that we need [Participant G]

There is none in the municipality [Participant J]

The responses show that there is no ICT network association in the municipality. This is compounded by the size of the municipality as has been pointed out by Participant A. Despite the overwhelming responses that there were no ICT network associations, the views by Participant G are interesting because they reveal that the business venture has forged strategic partnerships with its stakeholders to build trust and synergy for potential support through ideas and other resources. The notion by Participant D also demonstrates that small business ventures should think out of the box. They should drive their initiatives and establish network associations.

4.5 Community and social acceptance of SMMEs in Vhembe District Municipality

The other research question sought to establish if participants' businesses have been well received and accepted by communities in the municipality. Two themes that emerged from this question were:

Theme 1: Benefits to the community

When business ventures are established, proprietors should look at both short-term and long-term goals of the entity. Participants were requested to share their opinions regarding how the communities were benefiting from their businesses and these responses were provided:

I am a resident of Vhembe District Municipality; therefore, I have created employment for two other youths [Participant A]

I was born and bred in Vhembe District and starting my business here is as good as ploughing back into the community that raised me. I am a source of inspiration to the community especially young people [Participant B]

The Community is proud that their child has started a business and that is motivating many to have self-belief and confidence that nothing is impossible [Participant C]

I have created employment for five people [Participant D]

These business ventures are helping to reduce unemployment and crime [Participant E]

I train and teach business and computing skills to students at high schools [Participant F]

We showcase our skills, products and services to the communities as a way of motivating young people about entrepreneurship [Participant G]

I am sure the community is proud of their children who have started businesses and are helping improve the standard of living [Participant H]

The responses all demonstrate that the Vhembe District Municipality communities are benefiting immensely from the start-up ventures. Responses are very clear by showing how each business venture has contributed to the well-being of the community.

Theme 2: Accessing your ICT services and products

In this theme, the objective was to extract opinions regarding the accessibility of ICT services and products. If these start-up ventures did not provide the services, how and where did the communities get them? These responses helped to address the questions:

We provide services and products to the community through advertising and marketing activities [Participant C]

In instances where we do not have the expertise, we combine our knowledge and experiences to leverage those strengths to help our customers [Participant D]

In cases where cannot offer the services or products, we outsource from reputable service providers. This approach enables us to keep in touch with our communities and they build trust because we can provide the information and help needed [Participant F]

At times, we are challenged by the demands and expectations from communities, but we seek advice from large ICT firms in Johannesburg, Cape Town or Pretoria. We then take that advice to engage our communities [Participant G]

The above extracts present the overall consensus from the ten participants. It is also clear that the communities support these business ventures probably because they are home-grown businesses. Also, the ICT services and products might be cheaper compared to purchasing from large corporations which might not have offices in the VDM. Buying products from a company that is distant from the customers might be problematic in the event of queries or any inquiries that demand immediate attention. Secondly, respondents have also indicated that at times there are challenged by specific requests; therefore, they combine their expertise or seek advice from large corporations. However, the ICT businesses endeavour provide the best services and support to communities to gain trust, build a reputation and remain relevant.

4.6 Adapting to social needs

In this question, the study sought to establish if the ICT business ventures were fitting to the needs of communities, aligned to government policies and strategies and alignment to community development strategies. One theme that emerged in this question was:

Theme 1: Alignment to community and government development needs and goals

This theme was closely related to theme 1 in section 4.5 above. However, the focus was different. Respondents indicated that:

I think small businesses are paramount to economic development [Participant A]

ICT business ventures are aligned to community development needs and goals by improving the standard of living through employment creation [Participant B]

Communities are proud of homegrown talent and business ventures [Participant C]

The informal sector is the engine room for economic growth, therefore, our existence in that space is a way of responding to the National Development Plan [Participant D]

With the scarcity of jobs, venturing into this business is a way of addressing unemployment [Participant E]

Government or our local communities are fighting the scourge of crimes, thus, my business is an intervention to help fight crime by keeping the youth busy in full-time employment [Participant F]

My business is contributing to skills development. In this country, we have a shortage of IT skills. By recruiting high school and tertiary institution graduates, I am addressing the skills training gap [Participant G]

The responses succinctly demonstrate that the ICT and any other business ventures are responding to community and government needs, goals and policies. Businesses are creating employment, which is a major challenge confronting South Africa. Stats SA (2018) reports that as of 2018, unemployment was at 26.7%, which is way too high. This was also worsened by a recession which is currently prevailing in the country. The NDP goals state that SMMEs should be supported and that the standard of living in communities should improve. In the next section, the key findings are discussed.

4.7 Discussion of findings

The discussion of findings will be done concerning the research questions and research objectives. Each research question provided different themes and these themes will be highlighted to illustrate their relationship with the main research objective.

4.7.1 Resources available to support ICT SMMEs

The first research objective of the study was to explore the nature of factors that impedes the long-term survival of the ICT SMMEs in Vhembe District Municipality. To address this objective, the researcher designed a question focusing on resources. Resources are critical factors to the success or failure of small businesses. The first question presented three themes, namely: *Available*

resources to support SMMEs, Resources required to run the SMMEs and sharing of resources with other businesses. Participants acknowledge that when they started their businesses, they got some form of support from the VDM in the form of training, funding and mentors. However, over time, the VDM is failing to provide adequate support. Literature states that the objective of the National Development Plan (NDP) is to improve the standard of living, provide communities with services and empower black-owned entrepreneurial ventures as well as ensuring inclusivity towards economic development (Moloi, 2014:19). The role played by the informal sector in economic growth cannot be overlooked; hence, the government has recognised and developed the BEE Act of 2003 to include small to medium enterprises in the NDP. There is a growing rise of new black-owned entrepreneurial ventures operating in different industries, including ICT.

There are reports about successful and unsuccessful SMMEs in South Africa. Some have succeeded because of the entrepreneurial skills, acumen, innovation, funding, readily available markets, marketing strategies. Unfortunately, some SMMEs have failed to exist beyond two after their establishment (Tlhmola *et al.*, 2011). The failure of SMMEs is to some extent attributable to the inability of the entrepreneurs to demonstrate skills to manage the capital investment that supports the business' activities as well as their being unable to use the modern technologies to its full capacity. Xaba and Rankhumise (2014:181) attribute the problems of SMMEs to the political spectrum of the country given in the history of apartheid rule which divided the country immensely on ethnic grounds. The common factors affecting SMMEs in SA that have been reported extensively include among others access to finances, lack of financial skills and inadequate government support (Tlhomola *et al.*, 2011; Xaba and Rankhumise, 2014). This is supported by the interview responses that demonstrated that lack of funding, little or no support from Vhembe District Municipality (Government). Other factors that also affect SMMEs include inflation and interest rates, crime and unemployment, low demand for products, the incorrect estimating tactics that are often applied to entice customers (Cant and Wiid, 2013:707).

Participants also pointed out that the VDM provided office spaces, but due to the intensity of competition, the VDM cannot provide such resources anymore. Participants were willing to share information and business ideas, but they were also sceptical that sharing more than bargained for would expose their business strategies to competitors. It has been pointed out in the literature that due to the size of most SMMEs, backyard operations that require small space of operations are

ideal; business owners may not expand the size of their shops due to limited space. Liedeman (2013:4) states that in a study conducted to establish the challenges faced by SMMEs businesses in Western Cape, it was found that lack of trading space forced firms to operate from designated spaces allocated by the municipality. Most of the businesses with backyard operations were limited from expanding or holding large stock quantities.

4.7.2 Relationship building with stakeholders

The second research objective of the study sought to establish the strategies that ICT entrepreneurs use to sustain their SMMEs in Vhembe District Municipality. The researcher designed a research question that focused on stakeholder management and network associations as interventions to sustain the survival and relevance of ICT business ventures in VDM. The researcher points out that almost every municipality in South Africa is influenced by politics and senior municipal appointments are made along with political affiliations. Three themes emerged in this question, and these were *existing stakeholders in Vhembe District Municipality; stakeholder management approach and network association in the municipality*. All ten participants acknowledged that the VDM was the primary stakeholder, customers, communities, suppliers, and competitors were critical stakeholders for their businesses.

Though ICT sector seems to be an enticing business environment to invest in, it also has its dynamism in terms of survival due to a large-scale competition. Stakeholder management is key to the survival of this enticing business. The organisation is set to survive if it has access to resources, which belong to other stakeholders in the business environment. Fadare (2013) state that the stakeholders who hold resources tend to influence the operational functions in the organisation that seeks assistance. Essentially the ability of entrepreneurs to understand how their business environment operate can enable them to build a strong relationship with other stakeholders as this guarantees the continuous supply of resources critical for its survival. It would be of the essence to establish how ICT SMMEs deal with the stakeholders in the ICT business environment in terms of resource acquisition, given the context of the resource dependency theory.

4.7.3 Community and social acceptance of SMMEs in Vhembe District Municipality

The third objective of the study sought to assess the entrepreneurial competencies of ICT SMMEs, and the last objective sought to ascertain the role of SMMEs in the economy. The two objectives were closely related in that if SMMEs are beneficial to the communities, it means their competencies are in the right trajectory. Therefore, if communities benefit from efficiency, it ultimately means that SMMEs have a significant role to play in the economy.

Participants indicated that ICT SMMEs in the VDM are home-grown businesses, which creates a sense of pride in the local communities because their people run these businesses. Also, participants indicated the creation of jobs, taking away the youths from crimes. The views raised during the interviews resonate with literature which states that the role played by the informal sector in economic development cannot be overlooked, hence, the government has recognised and developed the BEE Act of 2003 to include small to medium enterprises in the NDP. South Africa must reduce poverty, create employment and redress the widening inequality gap both nationally and provincially (GEM Report, 2014).

Participants demonstrated that SMMEs played an essential role in economic development and this is supported by the CGCSA (2014), which states that the country's 29% Gross Domestic Product (GDP) comes from SMMEs. Therefore, the relevance of these businesses cannot be overlooked. In terms of activity, informal and SMME businesses are mostly engaged in retailing, trading, or manufacturing (Fisher and Reuber, 2000). Coutler (2006) states that the importance of entrepreneurial ventures is and continues to be important in every sector of all global economies.

With several entrepreneurial ventures operating, South Africa has, like any other developing nations, experienced some relatively modest economic growth through innovation, competition and innovative products and services. Participants also indicated that entrepreneurs are creative individuals; thus, this is true because innovation is the key driver to venture into uncharted territories. Drucker (2013) argues that with the fast-paced changing technological environment, innovation is the key tool for entrepreneurs by which they exploit change as an opportunity for a different business or a different service.

Another important point raised during the interviews was the aspect of skills training and development. Participants also indicated that due to IT skills shortage, their business ventures were a training ground for high school and university graduates. Literature also supports the participants' views in that the rise of Mark Shuttleworth is significant to this study of SMMEs in the Information Communication Technology sector because Mark grew his ICT business with meagre savings thus, the entrepreneurial venture was the incubator for one of South Africa's most innovative entrepreneurs. Also, Greene (2011) opines that entrepreneurial ventures help cultivate a set of skills including good leadership judgement; honesty; consistency, enthusiasm; cooperation, communication; dependability and understanding of business processes.

It has also been revealed during the interviews that the ICT SMMEs were not affiliated to any network associations. One participant indicated that VDM was a very small municipality; therefore, it was the responsibility of the businesses to think out of the box and start their initiatives. In the literature, it has been argued that the ability of entrepreneurs to understand how their business environment operate can enable them to build a strong relationship with other stakeholders as this guarantees the continuous supply of resources critical for its survival. Thus, this understanding gives the entrepreneurs leverage to dictate what works or does not work for them.

4.7.4 Adapting to social needs

The fourth objective of the study was to establish the effectiveness of government support framework for the ICT SMMEs in South Africa. The researcher recast the objective to include the ability of ICT SMMEs to adapt to social needs which focus on the government's national development plan, policies and strategies as well as the expectations of communities. Participants indicated that SMMEs were a direct response to the government's initiatives to create employment, improve the standard of living and empowering previously disadvantaged communities.

It has already been pointed out in preceding sections the importance of SMMEs in any economy. For SMMEs to respond and adapt positively to social needs, the government should make necessary adjustments to innovation, support and providing necessary resources to SMMEs. Essentially the ability of entrepreneurs to understand how their business environment operate can enable them to build a strong relationship with other stakeholders as this guarantees the continuous

supply of resources critical for its survival. The marketplace, where entrepreneurs find themselves competing, is always competitive because of the faster rate of change. The key to survival as well as success is the constant improvement of products, services and processes, as well as systems. According to Silverstein (2006:201), for entrepreneurs to stay competitive, they need to welcome new ideas from their employees as well.

The discussion of findings has demonstrated that the success or failure of SMMEs is attributable to several factors. However, in the absence of resources, entrepreneurs should think out of the box and be innovative. The most worrying revelation was that South Africa lagged behind other sub-Saharan countries that promoted entrepreneurship.

4.8 Conclusion

In conclusion, the chapter presented and discussed the research findings. The research instrument comprised five sections namely: biographic; resources available to support SMMEs; relationship management; community and social acceptance of SMMEs and the ability to adapt to social and government policies, needs and goals. In each of the sections, themes emerged, resulting in the researcher using thematic data analysis. In some instances, the researcher quoted the responses verbatim. The findings were then discussed regarding the literature to support interview transcripts. Furthermore, the discussions were aligned with the research objectives. In the next chapter, the conclusions and recommendations will be presented.

CHAPTER 5: DISCUSSION OF THE FINDINGS

5.1 Introduction

This chapter discusses the findings in relations to the research framework and emerging issues identified from the results. The findings of this study will also be synthesized with secondary findings based on previous studies that explored perceived barriers affecting the SMMEs long-term survival in South Africa and elsewhere. The chapter begins by discussing the ICT SMMEs start-up using pillars perceived to be pivotal ICT SMMEs survival, namely start-up, resources and institutional theories. Factors found in this study to be affecting the long-term survival of ICT SMMEs start-up are also discussed in line with the theoretical framework.

5.2 ICT SMME start-up

In attempting to establish whether there is fertile ground laid for ICT SMME start-up in Vhembe District Municipality, the participants of the study were asked questions relating to opportunities and programs implemented by the municipality to support them. The findings revealed mixed response in that the participants indicated that there are certain programs implemented by the municipality to assist, however, it was also evident from other participants that not ICT SMMEs owners have benefited from those programs. The SMME start-up phase is indeed a critical one because according to the existing research most start-up business ventures vanish during this phase (Zambonini, 2012). One of the most critical factors affecting new business ventures is start-up financing which impacts on entrepreneurial activity and one of the most significant barriers for the start-up and growth of small businesses.

Researchers identify that inaccessibility to finance is a primary challenge for start-up SMMEs (Padipadi, 2016; Chimucheka, 2013). The study by Chimucheka (2013) affirms the latter findings by stating that a lack of financial resources is among the most reported contributor to the failure of SMMEs in South Africa. It follows therefore that as the participants have indicated that there is lack of financing, there is a likelihood that the ICT SMMEs owners who participated in this study could be out of business due to lack of financial support. Generally, the barrier towards accessing financial support is caused by the lack of collateral from various SMMEs thus making it impossible

for SMME owners to accessing business loans, hence their hopes are pinned on the municipality to provide financial support (Chimucheka, 2013).

The findings in this study also confirm that financing was viewed by the participants as an imperative factor required to prop SMMEs' growth. Among the resources which are required by the participants, information, instrumentation and stock were the most common. In terms of information, the participants felt that the municipality is not sharing information relating to tenders where ICT SMME owners could equally compete for the tenders but the lack of transparency prevents the information accessibility. The study by Chimucheka and Mandipaka (2015) affirms that SMMEs often have difficulties in accessing appropriate technologies and information which results in difficulties in decision making. Another supporting research is by Donga, Ngirande and Shumba (2016) also found that lack of finance, poor infrastructure and lack of training, access to the market, as well as outdated equipment and technology is the key enterprise barriers affecting the development of South African SMMEs.

5.2.1 Business growth and survival of ICT SMMEs

Growth is an essential phenomenon in small enterprises. Their survival essentially depends on their power to participate in the market with other big companies (Machado, 2016). The strength of the SMMEs is essential for all stakeholders, especially to be able to thrust forward the economy by underscoring the diversity of products and services. The growth phenomenon of small enterprises has been widely analysed within entrepreneurship. The common phenomenon is the inability of SMMEs to grow to its full potential is the failure to expand during their life span (Machado, 2016). Consequently, the full potential of SMMEs, including the ICT SMMEs remains untapped (Rungani and Potgieter, 2018).

The role of stakeholders has been regarded as essential in propping up small enterprises. In attempting to establish how ICT SMMEs build relationships with stakeholders, the findings suggest that the ICT SMMEs consider stakeholders as critical partners to keep their businesses abreast in the turbulent market. The stakeholders that were identified by the ICT SMMEs include among other suppliers, customers, the municipality and the community which, according to the participants, are major stakeholders. Existing research indicates that it is essential for stakeholders of any kind to be treated with courtesy especially since they hold resources that are likely to

influence the operational functions in the organisation that seeks assistance (Fadare, 2013). The researcher used several techniques, which include frequent email and periodic meetings to ensure proper stakeholder management. However other ICT entrepreneurs did not have any means of engaging with their stakeholders, for these entrepreneurs their small enterprises could struggle to survive longer when compared to those enterprises that have strategies of managing relationships with stakeholders. The survival and growth of SMMEs depend on their capital base and access to further capital upon the necessity to deploy resources into strategic implementation, operations, restructuring exercises, exploring new opportunities and introducing new methods of delivery.

It is essential ICT entrepreneurs understand how their business environment operate for them to build a strong relationship with other stakeholders as this is likely to guarantee the continuous supply of resources critical for its survival (Fadare, 2013). This is essential for ICT SMMEs to grow and become sustainable. The study by Machado (2016) indicates that the establishment of growth depends on the identification of the origin of resources, capacities and learning on accumulation methods and the generation of sustainable profits, coupled to the examination of how and when the resources of industry and financing are accessed and how the external investors may be informed on the subject. Since the study was not a longitudinal approach, it could not establish whether the ICT SMMEs are experiencing growth in the Vhembe District. It is worth noting that of the 10 ICT SMMEs that participated in this study, 2 have been in existence for more than two years. Given the scourge of SMMEs failure rate in South Africa, it remains to be seen whether the other 8 ICT SMMEs would exist beyond the five years. The study by Ledwaba and Makgahlela (2017) argues the majority of SMMEs have failed to grow or rather more seriously, they have failed to survive due to numerous reasons. In the case of the current study ICT, SMMEs owners displayed a clear understanding of their clientele with few exceptions which are still struggling to have a full understanding of their clientele. It suggests that the SMME owners may grow in directions that may not allow them to achieve what they want fully; hence they need more assistance.

5.2.2 *Resource dependency theory*

The key to the survival of the business of any kind is the resources, including among other raw materials, capital and labour. The resource dependency theory addresses this area. The resource

dependency assumes that the organisation is set to survive if it has access to resources, which belong to other stakeholders in the business environment. It has been evident in this study that ICT SMMEs in Vhembe do not have full access to the resources particularly raw materials and capital. Chimucheka and Mandipaka (2015) note that if SMMEs can acquire and retain resources from stakeholders within the operating environment, it is likely to survive. In this study, the participants highlighted their fear of sharing resources which in turn might be a hindrance on their part. Although the hesitation to share resources was based on competitors which participants viewed as risky, on this aspect, the participants view competitors as a threat instead of an opportunity to learn and expand their businesses. Also, the participants indicated that resources provided by the municipality are inadequate, and this is detrimental to their ICT SMMEs. To counter the feeling of insecurity, Klein and Pereira (2016) indicate that organisations need to collaborate with other organisations in inter-organisational relations since one organisation does not possess all of the resources required to perform their activities, and they depend on exchange relations to achieve their goals.

According to the resource dependency theory, the SMMEs must aim to reduce or increase its level of dependency from other external actors through alliance and joint ventures (Klein and Pereira, 2016). This reduces the power of organisations that possesses essential resources to control other organisations, particularly the small entities. Resource dependency theory focuses on a firm's need to access resources from other actors in the environment and describes how resource scarcities force organisations to pursue innovations that use alternative resources (Hessels and Terjesen, 2010). Consistent with the resource-based view of firms as bundles of unique resources that lead to competitive advantage, resource dependency theory focuses on the firm's ability to establish relationships to access resources. A major tenet of resource dependency theory is resource scarcity, resulting in multiple organisations competing for the same or similar sets of scarce resources (Hessels and Terjesen, 2010). Generally, SMMEs often depend on their home market environments for obtaining the finance, and technology for being able to function, and SMMEs will benefit when these resources are perceived to be widely available and easily accessible in the home market (Klein and Pereira, 2016).

Building on resource dependency theory, it should be expected that ICT SMMEs build relationships with other stakeholders to ensure that the resources held by various stakeholders are

within reach. The current status regarding the dependability of ICT SMMEs owner on government support, i.e. the municipality will drive the SMMEs backwards. Based on the findings of the study, the municipality has been slacking towards providing support to ICT SMMEs, which reduces the survival chance of these SMMEs. The resource dependency theory assumes correctly that SMMEs often depend on their home market environment; in this case, the ICT SMMEs depend on government entities such as municipalities for support of any kind. Once the cities have invested support to SMMEs, it can anticipate the positive contribution from these entities as they are known to create employment opportunities.

5.2.3 Infrastructure

The infrastructure plays a critical role in supporting the survival of any business, whether large or small. However, in South Africa, poor infrastructure, crime and inflationary are some of the environmental factors affecting the state of business operating (Bushe, 2019). In support Malefane (2013) insufficient infrastructural are most common in townships characterized by poor road networks, transportation and lack of public services such as electricity, education, recreation, development and telecommunications. The findings in this study indicate that the participants struggle with the shortage of workspaces which confines them to share the space with other SMMEs owners who are within the same business. The participants felt that the municipality is not providing them with adequate office space conducive for ICT SMMEs owners. John and Mbohwa (2015) concur that the lack of space to operate has been found as one of the key obstacles to the growth of SMMEs.

5.2.4 Institutional theory

The institutional environment from which the businesses operate cannot be disregarded in the study that aims to highlight the plight of SMMEs. Mainly because the business operates within an environment that has societies, regulations, government agencies, laws and mobilized public opinions. Hessels and Terjesen (2010) indicate that institutional theory describes how an organisation adopt practices that are considered acceptable and legitimate within its organisational fields. As described earlier, the institutional theory is underpinned on three pillars by Scott (1995), namely regulative, normative and cultural-cognitive elements. The regulative pillar comprises the rules and laws that influence the future behaviour of objects by enforcing rewards or punishments

for conformity or nonconformity, respectively. The normative pillar emphasizes the values and norms that have prescriptive, evaluative and obligatory meanings. A normative system not only defines goals or objectives but also designates appropriate ways to pursue them. The cognitive or cultural-cognitive pillar constitutes an internal interpretation of an external cultural framework in the form of scripts and beliefs.

The institutional theory brings various elements that are addressed in the study together, explaining that although SMMEs are subject to similar economic forces the way in which these are influencing the activities, existence and boundaries of the small entities may be unique (Bruwer, Coetzee and Meiring, 2017). The essence in the institutional theory is that while SMMEs requires resources such as raw materials, capital and labour to survive if they lack acceptance of the society in which they operate this include regulator, government entities, legislation and courts, professions, and interest groups, they are likely to fail (Fadare, 2013). Therefore, SMMEs must be able to develop social legitimacy to generate output.

Concerning the findings of this study, the ICT SMMEs owners appear to have solidified their social legitimacy within their area of operations. The participants regard the gesture of creating employment opportunities as something that makes their businesses to be accepted by the surrounding society. Given their contribution to the community, the ICT SMMEs owners feel comfortable that their businesses have had positive strides in society. In terms of conforming to the regulations as prescribed by the government, it is evident from the findings that the participants have ensured that their entities are aligned to the surrounding environment. For example, one participant alluded that his business is helping both government and the municipality to fight crime. This is an indication that studied ICT SMMEs are strong on social sustainability which is a vital dimension for businesses whether large and small as their survival relies on the well-being, stability and success of the societies where they are located (Masocha and Fatoki, 2018). This indicates that the participants can study the surrounding environment and its needs as well as its regulations. From the economic sustainability perspective, the ICT SMMEs appears to have been able to produce products required by customers at affordable costs and realizing production efficiencies (Masocha and Fatoki, 2018).

5.2.5 *Crime*

There is sufficient evidence indicating the significant role of SMMEs in the economies of the world, as it has been highlighted in the preceding chapters. While SMMEs are recognized as essential entities towards economic development, they continue to encounter various challenges and chief among those challenges is a crime. Research also affirm that crime is a worrying issue in South Africa and there is no specific province that is immune to this scourge (Museza and. Chigada, 2013). Crime rates in townships are quite common in South Africa and have negative impacts on the sustainability of the informal sector especially small businesses which were highly targeted for holding cash on-premises (Moloi, 2014).

ICT SMMEs owners are anxious about crime. They worry about its effects on their businesses, and they feel unsafe. They are also pessimistic about any prospect of relief, ICT infrastructure is an easy target for burglary and theft. Small Business Project (2008) indicate that the fear of crime has been a significant concern for developing countries around the world for some time now. South Africa is no exception. Bushe (2019) state that in South Africa, it is common that security management is required given the levels of uncontrollable crime, theft and burglary that seriously affect SMMEs. This researcher adds that the scourge of crime goes along with business costs unavoidable such as insuring one's business assets against losses from crime. It is conceivable for SMMEs in South Africa to invest more in security services as a matter of priority and compulsion than in any other African country to safeguard its assets. This puts pressure on SMMEs resources which could be invested elsewhere for business growth. The SMMEs that have a lower turnover may struggle to prioritize security, placing them on the risk of being crime victims.

5.2.6 *Training and development*

Emerging, as well as existing ICT SMMEs, depends on evolving technological skills for its ability to survive and compete in the global market. Undergoing entrepreneurial training which will enhance the business acumen among ICT SMMEs owners. If ICT SMMEs owners do not always seek new knowledge on running their businesses, that will result in incapacity. Bushe (2019) argues that entrepreneurial incapacity disengages an entrepreneur from exploiting opportunities in needs, challenges and ideas in society that are suitable for establishing a sustainable business enterprise. In this study, the findings indicate that the VDM has stopped

from providing workshops which SMMEs owners used to benefit knowledge and skills concerning the management of their small entities. Bushe (2019) note when an entrepreneur lacks business-related knowledge, their endeavours are likely to fail. Quite often acquiring training and development is costly, and some SMMEs may not afford the prices of the training programs. Rabbie, Cant and Wiid (2016) clarify that SMMEs are less likely to provide their employees with formal training because doing so could be costly. Most of the participants had matric and other post-matric qualifications which is contrary to the general views concerning the level of education among SMMEs owners. Bhorat *et al.* (2018) found that usually, small business owners have lower levels of education when compared with large business owners. The highest level of education among the participants in this study was one participant who holds an honours degree.

The study by Bhorat *et al.*, (2018) writes that for entrepreneurs to start and grow a business successfully, they should require specific skills that can be developed through education and training programs. A lack thereof can present a major constraint for SMMEs. The concern raised by the participants was that the officials from the VDM were getting cold feet towards providing them with the workshops they had implemented earlier. Seeing that the participants have noted the value added by the workshops towards assisting them to gain skills for managing their business entities, there is a need for the government to provide severe and thoughtful entrepreneurial training. Concerning the business support services and training, respondents linked this to improving skills and knowledge to contribute to and improve the chances of business success.

5.3 Sustaining ICT SMMEs

The long-term survival of SMMEs from any sector is imperative for the country's economic growth; however, since the world economy is knowledge-driven SMMEs from the ICT sector are much more important. According to Modimogale and Kroeze (2011), knowledge has become an essential asset in the country's economy, and it is what businesses sell and buy. Furthermore, ICT is the foundation on which the knowledge economy is based. The assertion above signals the critical role ICT plays in enabling businesses to remain functional in the knowledge-driven world. Moreover, the knowledge economy has opened the avenue for ICT SMMEs to thrive. However, in South Africa, more than 85% of SMMEs face an uphill battle of survival (Rungani and Potgieter,

2018), part of the failing SMMEs are also in ICT. Yet, the ICT sector is a significant driver of employment growth in the developed world (Moleke, Paterson and Roodt, 2003).

The challenges that emanate from the macro-level impact on the access to resource problems which individuals encounter at the micro-level. This interaction is particularly strong in a country such as South Africa, that exhibits high levels of inequality and in which the history of apartheid still exerts significant influence on the socio-economic outcomes (Bhorat, Asmal, Lilenstein and van der Zee, 2018).

Figure 5.1 illustrate the ICT SMME Start-up constructs for sustainability, in this figure the researcher also adds the new constructs as it emerged on the findings concerning the growth and long-term survival of the ICT SMMEs.

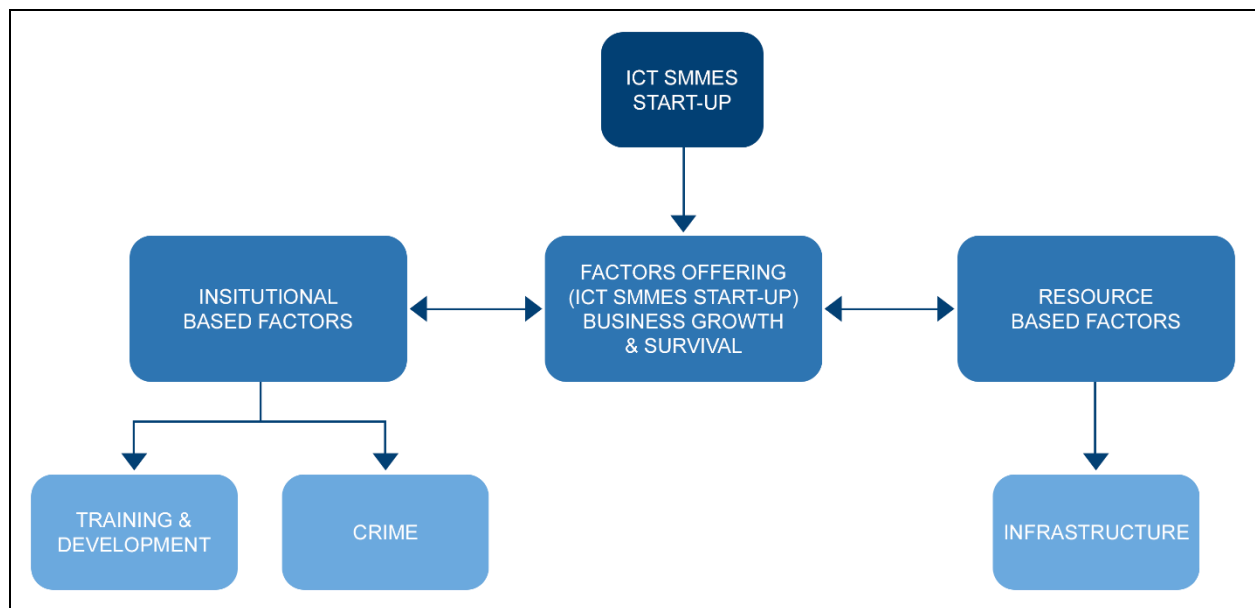


Figure 5.1: ICT SMME Start-up constructs for sustainability.

(Source: Researcher's conceptual framework)

In Figure 5.1, there are several variables that are considered vital for the growth and survival of the ICT SMMEs from start-up. After the entrepreneur has a business plan for starting the ICT SMME, it stands to reason that resources are the next thing required. According to the resource dependency theory without resource SMMEs are likely not to survive, however, on the same vein, these proponents of the theory also cautions that overreliance on resources would also hamper the

survival of the SMMEs as those stakeholders who hold resources might control access. The institutional theory also adds that the ICT SMMEs should be able to adjust to the legislative, societal norms etc. according to the institutional theory if ICT SMMEs are rejected by the society, go against government regulations, gets rejections from professional and interest groups their fate in the market would be bleak. This study adds that crime is also another factor that ICT SMMEs should consider in terms of placing mechanism that would protect themselves from the crippling pandemic for most businesses. Crime redirects the resources of ICT SMMEs as they have to spend more time contemplating on crime prevention measures instead of investing their resources on research and innovation to keep their businesses abreast with the latest technological advances. The infrastructure was seen to be playing a central role as well; the findings of this study suggest that there is a shortage of office space which is a barrier for ICT SMMEs. The lack of space places the ICT SMMEs under enormous pressure and risk of intellectual property theft as a result in this study infrastructure in terms of office space plays a vital role to prop the ICT SMMEs' survival. Training and development are considered essential in assisting the ICT SMMEs growth and survival; the entrepreneurs in this study also appeared to appreciate the training opportunities which have since been halted by the municipality. The business of ICT grows daily, and constant development and training are necessary.

5.4 Limitation of the Study

This study used a small sample of ten participants; therefore, the findings are not representative enough of the population. This limitation would have been mitigated had a different research methodology been used. If quantitative or mixed methods research approaches had been adopted, the sample sizes would have been larger; thus, the reliability and validity of findings would have improved. The other limitation of the study was the calibre of the sample elements chosen for the study. Only decision-makers and owners of ICT SMMEs were considered for the study. These sample elements might not have stated all facts accurately because they might be the people to blame for some of the problems confronting the industry. For example, when discussing corruption in the industry, some respondents had a lot of data but were not open enough to discuss the finer details an indication or assumption that they might have been involved in illegal transactions. However, the focus of the study was to ascertain how corruption affected the industry and not finger-pointing or witch-hunting.

5.5 Summary

This chapter has comprehensively discussed the findings that emerged from the data analysis and presentation from the preceding chapter. In this discussion, the chapter highlights the critical factors that are necessary for the sustaining SMMEs; in this case, the ICT SMMEs. The discussion also outlines the business growth and survival of ICT SMMEs start-ups. The theoretical framework was also discussed in line with the key findings of the study. Crime, infrastructure and training and development were also part of the discussion highlighting the impact which each of these variables has affected SMMEs survival in VDM.

CHAPTER 6: CONCLUSIONS, RECOMMENDATIONS, AND IMPLICATIONS

6.1 Introduction

In this chapter of the study, there is a discussion of the findings in line with the research objectives to establish whether the study was able to achieve its intended objectives. After this discussion, recommendations will be outlined, followed by the conclusion and the possible implications of the findings of the study for government, the municipality, and the entrepreneurship profession. The chapter ends with discussing the possible direction of future studies.

6.2 Discussion of the findings concerning research objectives

This study aimed to achieve three research objectives to establish the factors that affect the long-term survival of ICT SMMEs under VDM. In the discussion below the researcher, outlines how the objectives of the study were met based on the findings as discussed in the previous two chapters four and five.

6.2.1 Resources available to support ICT SMMEs

In trying to respond to this research objective, three sub-themes were developed to establish whether resources are available to support ICT SMMEs in VDM, the resource available, the resource required, and the sharing of resources. The resources of many kinds place a quintessential role in the functioning of all businesses. The latter point is affirmed by the resource dependency theory that if the SMMEs can acquire and retain resources from stakeholders within the operating environment, it is likely to survive. In terms of the resources which are available for ICT SMMEs, as the participants indicated, they include business training workshops, buildings, funding, and mentoring. However, it was apparent from the participants that these resources were made available to them by the VDM. The participants further added that the VDM seems to have developed cold feet towards ensuring the continuity in the provision of the resources. The cold feet in this regard suggest that the VDM can be viewed as the point where the municipality is no longer providing the that ICT SMME owners have been receiving during the existence of their businesses.

This is the case; thus, it can be assumed that ICT SMME owners are experiencing a lack of some resources, especially from the municipality.

In terms of resources required to run the business, the findings indicate that the ICT SMME still requires many resources among others stock, office space, the instrument for repairs, and funding. At this point, the ICT SMMEs have developed the resource need due to the lack of support from the municipality. This study is not proposing that SMMEs should not be held to account for the support they have received from the municipality. However, SMMEs are known not to be strong on the self-sufficient perspective due to numerous factors. Research done on small businesses in Tembisa Gauteng found that the small businesses struggle to survive beyond two years due to lack of resources some of which include access to markets, funding, management skills, education, and poor supply chain management networks (Tinyane, 2016). The study by Liedeman (2013) conducted to establish the challenges faced by SMMEs businesses in Western Cape, and it was found that lack of trading space forced firms to operate from designated spaces allocated by the municipality.

In terms of sharing of resources, the findings indicate that ICT SMMEs have issues concerning the sharing of resources with the ICT sector. This was a further outline that participants find it difficult to share scarce resources with competitors. The participants further highlighted that due to the lack of office space there is a risk in sharing information with fellow competitors. Due to the insufficient buildings encountered by ICT SMMEs information is shared, involuntary risking their intellectual property. It can be seen that in VDM, the resources to support VDM provided by the municipality are drying up leaving the ICT SMMEs to be self-sufficient, and this has been a concern for these businesses. Research on the issue of resources available for SMME has common findings attributing a lack of resources to the failure of many SMMEs (Tlhomola *et al.*, 2011; Xaba and Rankhumise, 2014; Chimucheka and Mandipaka, 2015; Donga *et al.*, 2016). These studies indicate that the SMMEs which often lack funding and other resources have struggled to survive. It follows to suggest that due to the lack of resources available resources to support the ICT SMMEs, the survival of the ICT SMMEs in VDM is under threat.

6.2.2 *Relationship building with stakeholders*

In responding to this research objective, three sub-themes, namely existing stakeholders, stakeholder management approach, and network association were developed to draw data that address the objective above. Existing research suggests that stakeholders have a quintessential role in the survival of the SMMEs and businesses generally (Fadare, 2013; Chimucheka and Mandipaka, 2015). According to research, stakeholders could be businesses within similar sectors or in a different sector that relates to the SMMEs in one way or the other. In terms of the existing stakeholders, the findings suggest that the participants have existing stakeholders such as the municipality, customers, and suppliers as well as fellow tenants. The participants regarded the aforementioned stakeholders as essential for their existence and that treating them well was critical for them for various reasons, one of which was that the municipality plays a central role in providing supportive resources to the ICT SMMEs and probably other SMMEs. It can be pointed out that ICT SMME owners in VDM are aware that in the business environment there exist other businesses seen in the business relation as stakeholders. In supporting the latter assertion, Fadare (2013) highlighted that it is essential ICT entrepreneurs understand how their business environment operates for them to build a strong relationship with other stakeholders as could strengthen the continuous supply of resources critical for its survival.

In terms of the stakeholder management approach, the findings of the study indicate that it has been established that none of the ICT business had a formal stakeholder management approach. Even though participants agreed that customers, suppliers, the VDM, competitors, and the communities were their primary stakeholders, therefore, periodic meetings or engagements were necessary to keep the business relations intact. One participant indicated that they had appointed a marketing manager who was responsible for the business' marketing and communication function. Other respondents rely on emails and periodic meetings as a strategy to maintain relationships with the existing stakeholders. In support of these findings, Fadare (2013) provides that entrepreneurs need to develop abilities for understanding their business environment and how to build a strong relationship with other stakeholders.

Concerning network association, the findings indicate that there is no ICT network association within the VDM municipality. This is compounded by the size of the municipality as has been

pointed out by the participants. Despite the overwhelming responses that there were no ICT network associations, the views by some participants interestingly revealed that the business ventures had forged strategic partnerships with its stakeholders to build trust and synergy for potential support through ideas and other resources. The idea by these participants demonstrates that small business ventures should think out of the box. They should drive their initiatives and establish network associations. Researchers such as Museza and Chigada, (2012) support the establishment of associations and further suggest co-ownership and argues this would enable entrepreneurs to share ideas and the information regarding the repositioning of the businesses, which could be useful to withstand competitive forces. The network association is a practice that needs to be encouraged on ICT SMMEs entrepreneurs so that they would be able to take advantage of the business opportunities within their area as a group and individual business entities.

6.2.3 Community and social acceptance of SMMEs in Vhembe District Municipality

On the third research objective, the study was interested in whether the ICT SMMEs have positive societal reception which in the event it is positive ICT SMMEs are likely to flourish. According to institutional theory, SMMEs operate within an environment that has societies, regulations, government agencies, laws, and mobilised public opinions (Chimucheka and Mandipaka, 2015). The essence in this theory is that for an SMME to survive, it has to adjust towards being accepted by the society, adjust towards the regulations as prescribed by relevant bodies such as municipalities. Furthermore, the SMMEs should be able to function in harmony with government agencies, respect the rule of law, and be receptive of mobilised public opinions. The study by Hessels and Terjesen (2010) provides that organisations ordinarily are expected to adopt practices that are considered acceptable and legitimate within their organisational fields as influenced by the surrounding factors.

The functioning of the SMMEs requires resources such as raw materials, capital, and labour to survive if they lack acceptance of the society in which they operate this include regulator, government entities, legislation and courts, professions, and interest groups, they are likely to fail (Fadare, 2013). Therefore, SMMEs must be able to develop social legitimacy to generate output. The findings of this study suggest that ICT SMMEs owners have solidified their social legitimacy

within their area of operations. The participants regard the gesture of creating employment opportunities as something that makes their businesses accepted by the surrounding society.

The contribution to the surrounding society, ICT SMMEs owners are comfortable with the positive contributions they have had in the hosting company. The findings point out that ICT SMMEs are recognised as useful within their surrounding society, hence other ICT SMMEs play a central role in assisting the government and VDM in fighting crime in the communities. The findings are an indication that ICT SMMEs have strong social sustainability which Masocha and Fatoki, (2018) perceive a vital source for any business large or small wellbeing, stability, and success.

6.2.4 *Adapting to social needs*

In the last objective, the third objective has overlapped into answering the fourth objective in that it appears as though ICT SMMEs can adapt to the societal environment. The findings affirm the ability of the participants to adapt towards the societal environment, although it is not an easy task since respondents revealed some of the underlying factors that affect the ICT SMMEs functioning. Part of those factors that affect the ICT SMMEs' ability to adapt to societal environmental is a crime. Businesses, small or big, are prone to high crime rates in South Africa. Robberies and burglaries are significant constraints for SMMEs. Crime rates in townships have negative impacts on the sustainability of the informal sector, specifically small businesses that were highly targeted for holding cash on-premises. Fighting crime cannot be a responsibility of government alone, but communities, businesses, and other stakeholders have a responsibility to work together in fighting crime. Crime knows no boundaries and does affect everyone in society.

6.3 Recommendations

The study explored the perceived barriers to the long-term survival of SMMEs in the ICT industry. This was precipitated by the previous literature, which suggests the inability of SMMEs to survive longer (Mabhandu and Mercy, 2013). The study by Wangari (2014) indicates that during the surge of globalisation, ICT SMMEs are likely to suffer from stiff competition, customer demand, and rapid development of technology and employee turnover because of competitive poaching. The other study Leidman (2013) found in general that SMMEs from townships lack funding, limited trading space, expensive transportation costs, lack of business management skills, education,

access to markets and mentorship has been the common cause for the collapse of these small business ventures. This study discovered that some of the ICT SMMEs in the Vhembe District Municipality encounter also suffer from lack of funding, network association, and crime, lack of office space, and mentorship and training programs. Based on these discoveries, the following recommendations are made:

- The ICT SMMEs in Vhembe District Municipality should be provided with information regarding the funding opportunities for SMMEs beyond the financial support from the Vhembe District Municipality.
- There is a need for ICT SMMEs to get mentorship on the value of network associations. Although becoming part of these associations requires a subscription, they are still invaluable in helping entrepreneurs to establish a professional network. The Vhembe District Municipality is encouraged to facilitate this initiative to inform ICT SMMEs within its district about these networks.
- In terms of crime which was found a barrier affecting the ability of ICT SMMEs to adapt to the societal environment, it is therefore recommended community policing forum should be engaged by the Vhembe District Municipality economic development cluster to provide security for ICT SMMEs and other SMMEs in their vicinity.
- Discussions in the interviews revealed that ICT SMMEs did not have adequate office space. There is decency when a business operates from a reputable location. Many people are relocating to cities and urban areas. Therefore, the shortage of building land puts pressure on local government (Moloi, 2014), resulting in most of the businesses operating from backyards and cannot expand or hold large stock quantities. The aspect of limited trading space is a global challenge confronting many economies (World Bank, 2014) due to the growing global population. It has been observed that the proliferation of shopping malls is creating opportunities for small medium and large retailers; however, the rentals at shopping malls are prohibitive for small start-up firms (Leideman, 2013). However, rentals at shopping malls are very high to the point that exert pressure on the financial position of new business ventures. The study recommends that all three spheres of government should work together and identify land for development targeted for SMMEs.

- Literature highlights the need for entrepreneurs to possess the right skills for their businesses. It was evident from this study that ICT SMMEs used to be provided with some mentorship and training workshops which were offered by the municipality. However, the said programs have dried up leading ICT SMMEs in need of more skills and mentorship. It is therefore recommended that the Vhembe District Municipality should consider engaging other stakeholders who offer mentorship and entrepreneurship skills at cheaper rates. ICT skills are not static, and as the era of advance, technology has arrived there is even more need for ICT SMMEs to occupy the technology space.

6.4 Implications of the findings

This study has implications on skills development it has been emphasized in previous sections that South Africa is confronted with a shortage of IT skills. The skills development should include both the technical as well as soft or human skills. Comprehensive skills development programs need to be established, so that service delivery implementers do not lack in critical skills. This calls for continuous development and monitoring of skills gaps based on new demands b small business ventures. Skills development is an ongoing process and hence should be complemented by a constant development programme supported by the government. Respondents indicated that they are incubators for skills development, and with such noble initiatives, the government and other stakeholders can intervene and support with incentives. The initiatives by SMMEs are a direct response to addressing the skills shortage confronting the country.

6.5 Recommendations for future studies

More data is still required from Vhembe District Municipality about the performance of local SMMEs. Therefore, other studies could focus on investigating the survival rate of SMMEs, generally in the district mentioned above municipalities. This will aid the municipality with valuable data of understanding the extent to which SMMEs survive in their jurisdiction.

6.6 Conclusion

This study adopted a qualitative approach towards investigating the barriers affecting the long term survival of ICT SMMEs within the VDM jurisdiction. In supporting the methodological of this study, the researcher relied on two theories, namely the resource dependency theory and

institutional theory. These theories are complemented each other as resource dependency theory argued that without resources, SMMEs might not survive; meanwhile, the institutional theory focus on the adaptability of the SMMEs towards the surrounding environment. The role of ICT SMMEs in the world of the knowledge-based economy is indispensable, and their long-term survival is equally quintessential. This study has highlighted the value that is added by the SMMEs in the economy of any country and that without vibrant SMMEs most country's economy is likely to encounter stagnation, South Africa is not an exception. This study sought to establish the perceived barriers to the long-term survival of ICT SMMEs. It is evident from the findings that the factors that affect SMMEs' long-terms survival are not peculiar to ICT SMMEs. Although the factors that cause a barrier for the SMMEs to survive, the extent of the challenges could be unique. In this study, the issue of funding became a notable one after the VDM could not continue providing financial support. This situation exposes the lack of financial skills to manage the finances of the business.

The ICT SMMEs may have developed a dependency syndrome of receiving financial support from the municipality. SMMEs are cautioned to try to reduce or increase their level of dependency from other external actors through alliance and joint ventures. This assertion suggests that a business needs to be able to know when to increase or decrease the level of dependency. The ICT SMMEs were unable to understand when to reduce the financial support dependability to the municipality; as a result, they need for financial support became constant. The theoretical framework and detailed literature review were discussed in the second chapter. By reviewing various scholarship, arguments, and ideas were extracted to support and contrast the views expressed in this study. Some SMMEs failed to survive beyond two years due to lack of funding, limited education of the proprietors, lack of trading space, inaccessibility to markets, political environment and lack of business management skills.

Taken from the literature review of SMMEs continue to fail to survive beyond two years due to lack of funding, limited education of the proprietors, lack of trading space, inaccessibility to markets, political environment, lack of business management skills. This situation is likely to persist if how SMMEs are perceived by the supporting structures such as municipality and government entities such as the Department of Trade and Industry does not change. South Africa has to develop a proactive approach towards the sustainability of ICT SMMEs in the country, this

can be achieved if the government provides substantial support in terms of resources, favourable business environment and interventions towards curbing crimes, provision of infrastructure as well as training and development.

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ANNEXURES

Annexure A: Ethical Clearance



16 October 2019

Mr Sikhumbuzo Lennin Dlamini (215082520)
School Of Man Info Tech & Gov
Westville Campus

Dear Mr Dlamini,

Protocol reference number: HSSREC/00000545/2019

Project title: Perceived barriers to long-term survival of the Small, Medium and Micro Enterprises in the ICT Industry: A Case of Vhembe District Municipality

Full Approval – Expedited Application

This letter serves to notify you that your application received on 16 September 2019 in connection with the above, was reviewed by the Humanities and Social Sciences Research Ethics Committee (HSSREC) and the protocol has been granted **FULL APPROVAL**


Any alteration/s to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form, Title of the Project, Location of the Study, Research Approach and Methods must be reviewed and approved through the amendment/modification prior to its implementation. In case you have further queries, please quote the above reference number. **PLEASE NOTE:** Research data should be securely stored in the discipline/department for a period of 5 years.

This approval is valid for one year from 16 October 2019.

To ensure uninterrupted approval of this study beyond the approval expiry date, a progress report must be submitted to the Research Office on the appropriate form 2 - 3 months before the expiry date. A close-out report to be submitted when study is finished.

Yours sincerely,



 Dr Rosemary Sibanda (Chair)

/dd

Humanities & Social Sciences Research Ethics Committee
Dr Rosemary Sibanda (Chair)
UKZN Research Ethics Office Westville Campus, Govan Mbeki Building
Postal Address: Private Bag X54001, Durban 4000
Website: <http://research.ukzn.ac.za/Research-Ethics/>

Founding Campuses:  Edgewood  Howard College  Medical School  Pietermaritzburg  Westville

INSPIRING GREATNESS

Annexure B: Gate Keepers Letter

VHEMBE DISTRICT MUNICIPALITY

PRIVATE BAG X5006, THOHOYANDOU, 0950

TEL: 015 960 2000, FAX: 015 962 1017

Website: www.vhembe.gov.za



Ref: 4/2/1
Enq: Ndou T.S
Date: 14 January 2019

ATTENTION: Sikhumbudzo Lennin Dlamini

RE: APPLICATION TO CONDUCT ACADEMIC RESEARCH: YOURSELF

1. Your application dated 22 October 2018 refers
2. It is with pleasure to inform you that your request mentioned above is hereby granted to you.
3. Please contact LED Manager, Mr Mushaphi (061 437 9445/ 015 960 3507) in order to arrange the starting date.
4. Should there be anything you need clarity on, feel free to call our office at 015 960 3558/015 960 3541.

Kind Regards

**ACTING MUNICIPAL MANAGER
NDOU T.S**

16/1/2019
DATE

Annexure C: Letter requesting permission to conduct research

107 Waterfall Heights
Bekker Road, Vorna Valley
Midrand
1686
07/01/2019

The Municipality Manager
Vhembe District Municipality
Private Bag X 5006
Thohoyandou
0950

Dear Sir/Madam

I would like to ask for permission to allow me to conduct a survey among SMME's in the ICT sector. This is the view of my thesis entitled **"Perceived barriers to long-term survival of the Small, Medium and Micro Enterprises in the ICT Industry: A Case of City of Mbombela.** "I am conducting the survey among SMME's within ICT in the City of Mbombela. Attached herewith is the survey questionnaire for the study.

The survey would last only about 10-15 minutes and would be arranged at convenient schedule. Participation in the survey is voluntary and there are no known or anticipated risk to participation in this study. All Information provided will be kept in utmost confidentiality and would be used only for academic purposes. The names of the respondent and the SMME will not appear in any thesis publication resulting from this study unless agreed to.

After the data has been analysed, you will receive a copy of the executive summary. If you will be interested in details on electronic copy (e.g. PDF) of the entire thesis can be made available to you.

If you agree, Kindly sign below acknowledging your consent and permission for the conduct of this study/survey at your district.

Your approval to conduct this study will be greatly appreciated. Thank you in advance for your interest and assistance with this research

Yours Sincerely

Sikhumbuzo Lennin Dlamini

S.L Dlamini

Master of Management Student: Major in Business Management

[Sikhumbuzo Lennin Dlamini@yahoo.co.za](mailto:Sikhumbuzo.Lennin.Dlamini@yahoo.co.za)

083 304 5079

Annexure D: Interview Schedule

Interview Schedule

A: Demographics

1. Gender

Male		Female	
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2. Number of Employees

0-2		3-20		21-50		51 –more	
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3. Turnover

R0-R9,999.99	R10,000.00-R49,999.99	R50,000.00-R149,000.00
R150,000.00-R299,999.99	R300,000.00-R1,499,999.99	R1,500,000.00-R9,999,999.99
R10,000,000-R20,000,000.00		

4. Number of Years Trading

0-1		2-3		4-5		6-more	
-----	--	-----	--	-----	--	--------	--

5. Level of Education

No education		High School		Undergraduate		Postgraduate	
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B: Resources available to support ICT SMMEs

1. What resources are available to support SMMEs in Vhembe District Municipality?

2. What resources does your company require?

3. Are you able to share resources with other businesses?

C: Relationship building with other stakeholders.

1. In your view who are ICT SMME stakeholders in Vhembe District Municipality? Have relationships been established with the above stakeholders? If yes, please elaborate.

2. Are relationships established maintained? Who ensure this happens?

3. Have other ICT SMMEs accepted your business?

4. Is there a network association in place for ICT businesses in the area?

5. Do you belong to any business forum in the area?

D: Community and societal acceptance of ICT SMMEs in Vhembe District Municipality

1. In your view, has the community of Vhembe District Municipality benefited from your ICT business?

2. In your view, does the community need access to your ICT business and others like it?

3. If they are not using the ICT SMMEs within communities, where else do they get ICT services?

E: Adapting to societal environment

1. Has the business fitted to the needs of the community?

2. Is the business aligned to the government strategies and policies?

3. Is the business aligned to any community development strategies you know of?

....The end....